

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

CITY OF DETROIT, MICHIGAN,

Debtor.

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)
)
)

Chapter 9

Case No. 13-53846

Hon. Steven W. Rhodes

SUPPLEMENTAL DECLARATION OF MICHAEL ARTZ

I, Michael Artz, declare under penalty of perjury pursuant to 28 U.S.C. § 1746, as follows:

1. I am Associate General Counsel of the American Federation of State, County & Municipal Employees, AFL-CIO ("**AFSCME**"), and I submit this supplemental declaration in support of *The Michigan Council 25 Of The American Federation Of State, County & Municipal Employees, AFL-CIO And Sub-Chapter 98, City Of Detroit Retirees' Pre-Trial Brief Regarding The City Of Detroit's Eligibility To Obtain Relief Under Chapter 9 of The Bankruptcy Code* (the "**Pretrial Brief**").

2. Attached to my Declaration are the following Exhibits referenced in the Pretrial Brief:

Exhibit A	A copy of a transcript of the deposition testimony given by Richard Baird on October 10, 2013.
Exhibit B	A copy of a transcript of the deposition testimony given by Treasurer Andrew Dillon on October 10, 2013.
Exhibit C	A copy of a transcript of the deposition testimony given by Mayor David Bing on October 14, 2013.

Executed on this 17th day of October, 2013

/s/ *Michael Artz*

Michael Artz, Esq.

EXHIBIT A

In Re: City of Detroit, Debtor

Richard Baird
October 10, 2013

Moretti Group
471 W. South Street
Suite 41B
Kalamazoo, MI 49007
800-536-0804



Original File 101013RB.TXT
Min-U-Script® with Word Index

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2 FOR THE EASTERN DISTRICT OF MICHIGAN
3 SOUTHERN DIVISION - DETROIT
4 -----
5 In re: Chapter 9
6 CITY OF DETROIT, MICHIGAN, Case No. 13-53846
7 Debtor, Hon. Steven W. Rhodes
8 -----
9 V I D E O T A P E D D E P O S I T I O N O F
10 WITNESS: RICHARD BAIRD
11 LOCATION: Dickinson Wright, PLLC
12 215 South Washington Street, Suite 200
13 Lansing, Michigan 48933
14 DATE: Thursday, October 10, 2013
15 1:56 p.m.
16
17 APPEARANCES:
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19 VIDEO BY: Tim Reitman, Reitman Video Specialists
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21 REPORTED BY: Laurel A. Jacoby, CSR-5059, RPR
22
23
24
25

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1 I N D E X
2 WITNESS: RICHARD BAIRD PAGE NO.
3 Examination by Mr. DeChiara 7
4 Examination by Mr. Wertheimer 68
5 Examination by Mr. Sherwood 80
6
7
8
9
10
11
12 E X H I B I T I N D E X
13 EXHIBIT NO. DESCRIPTION PAGE NO.
14 Exhibit 1 Jones Day Presentation to the
15 City of Detroit; Detroit, Michigan
16 Jan. 29, 2013
17 (Bates Nos. DTMI 000128731-805) 13
18 Exhibit 2 Jan. 30, 2013 email
19 Subject: Your call
20 (Bates No. JD-RD 0000113) 21
21 Exhibit 3 Jan. 31, 2013 email
22 Subject: D
23 (Bates No. JD-RD 0000303) 24
24
25

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1	E X H I B I T I N D E X		1	October 10, 2013	
2	EXHIBIT NO.	DESCRIPTION PAGE NO.	2	Lansing, Michigan	
3	Exhibit 4	Feb. 11, 2013 email	3	1:56 p.m.	
4		Subject: Revised (Final) Schedule	4	- - -	
5		for Kevyn Orr Monday, Feb. 11	5	VIDEO TECHNICIAN: Today's date is October	
6		(Bates No. JD-RD 0000327)	6	the 10th, 2013, and we're on the record at 1:56 p.m.	
7	Exhibit 5	Feb. 20, 2013 email	7	This is the video deposition of	
8		Subject: Message from	8	Mr. Richard Baird and we're at 211 South Washington	
9		RUP0026732F87D1	9	Street in Lansing, Michigan.	
10		(Bates Nos. JD-RD 0000216 and 218)	10	Can the witness be sworn, please.	
11	Exhibit 6	Feb. 22, 2013 email	11	-RICHARD BAIRD-	
12		Subject: 11 Point Plan	12	called as a witness, being first duly sworn, was	
13		(Bates Nos. JD-RD 0000459-463)	13	examined and testified as follows:	
14	Exhibit 7	July 8, 2013 email	14	EXAMINATION	
15		Subject: Detroit	15	BY MR. DeCHIARA:	
16		(Bates No. SOM 20003601)	16	Q. Good afternoon, Mr. Baird. My name is Peter	
17	Exhibit 8	July 9, 2013 email	17	DeChiara. I'm a lawyer with the law firm of Cohen,	
18		Subject: Detroit	18	Weiss and Simon LLP. We represent the United Auto	
19		(Bates No. SOM 20003657)	19	Workers International Union in this case.	
20	Exhibit 9	Outline: Is the Emergency Manager	20	Did you prepare in any manner for this	
21		Moving Fast Enough?	21	deposition?	
22		(Bates Nos. DTMI 00113909-910)	22	A. Yes.	
23			23	Q. What did you do?	
24			24	A. I reviewed emails, reviewed other depositions and	
25			25	discussed with my attorneys.	

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1	E X H I B I T I N D E X		1	Q. What depositions did you review?	
2	EXHIBIT NO.	DESCRIPTION PAGE NO.	2	A. I reviewed the depositions for Kevyn Orr and for	
3	Exhibit 10	Jan. 31, 2013 email	3	Governor Snyder and my own deposition from a case	
4		Subject: D	4	brought by Robert Davis.	
5		(Bates Nos. JD-RD 0000300-301)	5	Q. Okay. That was the May 24th, 2013 deposition?	
6			6	A. I don't recall the exact date.	
7			7	Q. Okay. It was in Davis versus Local Emergency	
8		(Exhibits attached to transcript.)	8	Financial Assistance Loan Board?	
9		- - -	9	A. Yes.	
10			10	Q. And it was in the spring of this year?	
11			11	A. Yes.	
12			12	Q. Other than your attorneys, did you speak to anyone	
13			13	else in preparation for this deposition?	
14			14	A. No.	
15			15	Q. Other than the deposition that you gave in the Davis	
16			16	case, have you given any other depositions in 2013?	
17			17	A. No.	
18			18	Q. What about in 2012?	
19			19	A. No.	
20			20	Q. Are you familiar with an organization called MI	
21			21	Partners?	
22			22	A. Yes.	
23			23	Q. What is MI Partners?	
24			24	A. It's actually MI Partners LLC, a limited liability	
25			25	corporation, which is owned by me.	

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<p>1 Q. Okay. Are you an employee of MI Partners LLC?</p> <p>2 A. I am.</p> <p>3 Q. And what's your position?</p> <p>4 A. I am its president.</p> <p>5 Q. Are there any other employees?</p> <p>6 A. No.</p> <p>7 Q. Are there any other owners?</p> <p>8 A. No.</p> <p>9 Q. What business is MI Partners in?</p> <p>10 A. Provides consulting services, mainly organizational,</p> <p>11 talent, strategy.</p> <p>12 Q. And how many clients does MI Partners have?</p> <p>13 A. One.</p> <p>14 Q. And who is that or what is that?</p> <p>15 A. It is the New Energy to Reinvent and Diversify.</p> <p>16 Q. And what services does MI Partners provide to New</p> <p>17 Energy to Reinvent and Diversify?</p> <p>18 A. New Energy to Reinvent and Diversify is --</p> <p>19 Q. I'm sorry, is it Reinvent or Reinvest?</p> <p>20 A. Reinvent.</p> <p>21 Q. I'm sorry, Reinvent.</p> <p>22 A. Is the fund which covers my fees. My services are</p> <p>23 provided to the Governor, his executive office and</p> <p>24 his extended leadership team.</p> <p>25 Q. Do you receive any monies -- do you or do MI</p>	<p>1 whereby NERD pays MI Partners for you to provide</p> <p>2 consulting services to the Governor and his staff?</p> <p>3 A. Since January of 2011.</p> <p>4 Q. Apart from the arrangement I just mentioned, do you</p> <p>5 have any other paid employment?</p> <p>6 A. Employment, no.</p> <p>7 Q. Do you have any other paid consultancy work that you</p> <p>8 perform?</p> <p>9 A. No.</p> <p>10 Q. Are you an employee of the State of Michigan?</p> <p>11 A. No.</p> <p>12 Q. Okay. But you have a Michigan government email</p> <p>13 address?</p> <p>14 A. Yes.</p> <p>15 Q. Okay. And do you have -- do you or MI Partners have</p> <p>16 offices out of which you work?</p> <p>17 A. I have an office out of which I work at Romney and I</p> <p>18 have an office off premise in Michigan.</p> <p>19 Q. Do you or MI Partners pay rent for your office in</p> <p>20 the Romney Building?</p> <p>21 A. No.</p> <p>22 Q. Have you played any -- as part of your consultancy</p> <p>23 for the Governor and his staff, did you play or have</p> <p>24 you played any role in connection with the</p> <p>25 restructuring of the City of Detroit?</p>
Page 10	Page 12
<p>1 Partners receive any monies directly from the State?</p> <p>2 A. No.</p> <p>3 Q. Does New Energy to Reinvent and Diversify receive</p> <p>4 any monies from the State?</p> <p>5 A. I don't know.</p> <p>6 Q. Okay. Do you know whether -- I'm just going to</p> <p>7 refer -- so I don't have to keep repeating that</p> <p>8 name, I'm just going to refer to it as NERD,</p> <p>9 N-E-R-D. Is that okay? Do you understand what I'm</p> <p>10 talking about?</p> <p>11 A. I will know the fund you're referring to.</p> <p>12 Q. Does NERD receive any monies from any of the</p> <p>13 creditors in the Detroit bankruptcy case?</p> <p>14 A. I don't know.</p> <p>15 Q. Okay. Do you know whether NERD receives any monies</p> <p>16 from the Jones Day law firm?</p> <p>17 A. I don't know.</p> <p>18 Q. Do you know whether it receives any monies from</p> <p>19 Kevyn Orr?</p> <p>20 A. I don't know.</p> <p>21 Q. Do you know who or what finances NERD?</p> <p>22 A. I don't know the donors. I've been advised that</p> <p>23 they are private donors, but I have no way of</p> <p>24 knowing who they are.</p> <p>25 Q. And for how long has this arrangement existed</p>	<p>1 A. Define restructuring.</p> <p>2 Q. The efforts by the City of Detroit to get its</p> <p>3 economic house in order beginning before the</p> <p>4 bankruptcy, from whenever it began doing that, up</p> <p>5 and through to today.</p> <p>6 A. I have not consulted with the City of Detroit on its</p> <p>7 restructuring directly.</p> <p>8 Q. Okay. Have you worked -- in your consultancy for</p> <p>9 the Governor, has part of your work for the Governor</p> <p>10 been in connection with the -- Detroit's</p> <p>11 restructuring efforts?</p> <p>12 A. No. Again, I have been involved in talent</p> <p>13 identification assessment but not in the direct</p> <p>14 restructuring efforts for the City of Detroit.</p> <p>15 Q. Okay. Other than talent identification, have you</p> <p>16 performed any other work that had to do with or that</p> <p>17 related in some way to Detroit?</p> <p>18 A. I would -- I have been part of meetings where if</p> <p>19 asked an opinion, I would provide an opinion. If I</p> <p>20 saw an area where I had some experience or value, I</p> <p>21 would render that opinion. But in terms of specific</p> <p>22 services of a restructuring nature, no.</p> <p>23 Q. Do you as a regular matter as part of your work for</p> <p>24 the Governor and his staff attend official meetings</p> <p>25 of the Governor and his staff?</p>

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<p>1 A. Yes.</p> <p>2 Q. Okay. And how frequently do you do that?</p> <p>3 A. Define frequently. Every day?</p> <p>4 Q. Well, why don't you just tell me how often you do it.</p> <p>5</p> <p>6 A. Well, every day I'm probably in some meetings with</p> <p>7 members of his staff.</p> <p>8 Q. Would it be fair to say you work intimately with the</p> <p>9 Governor and his staff?</p> <p>10 A. Sure.</p> <p>11 Q. Did you attend a meeting on January 29, 2013, at</p> <p>12 which various law firms were making a pitch to be</p> <p>13 hired as restructuring counsel by the City of</p> <p>14 Detroit?</p> <p>15 A. I don't recall the exact date, but it was toward the</p> <p>16 end of January.</p> <p>17 Q. Okay. I'd like to show you a document which I'll</p> <p>18 mark as Exhibit 1.</p> <p>19</p> <p>20 (Deposition Exhibit 1 was marked.)</p> <p>21</p> <p>22 BY MR. DeCHIARA:</p> <p>23 Q. And for the record, I'll identify Exhibit 1 as a</p> <p>24 document that on the first page says Presentation to</p> <p>25 the City of Detroit; Detroit, Michigan; January 29,</p>	<p>1 all, let me say that this was not a formal pitch.</p> <p>2 This meeting was set up to provide the City, the</p> <p>3 emergency -- I'm sorry, the program management</p> <p>4 director and the CFO with some parameters associated</p> <p>5 with what needs to be going into an RFP that had yet</p> <p>6 to be completed.</p> <p>7 So this was simply bringing together a</p> <p>8 number of law firms with relevant experience to</p> <p>9 discuss things that the City should contemplate</p> <p>10 keeping in mind for a future RFP.</p> <p>11 Q. Okay. Before I -- I have a -- I had asked you a</p> <p>12 question about what was said by the Jones Day</p> <p>13 people, but before I ask you that, let me ask you do</p> <p>14 you know whether Jones Day provided any services</p> <p>15 paid or unpaid or legal advice to the State prior --</p> <p>16 at any time prior to this meeting?</p> <p>17 A. I don't know. I was not aware of any such services</p> <p>18 provided.</p> <p>19 Q. Okay. All right. So what's the best of your</p> <p>20 recollection of what the Jones Day people said at</p> <p>21 the meeting?</p> <p>22 A. Well, they went through this presentation.</p> <p>23 Q. You're referring to Exhibit 1?</p> <p>24 A. Exhibit 1.</p> <p>25 Q. Okay.</p>
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<p>1 2013, and it's Bate stamped the first page at the</p> <p>2 bottom DTMI 00128731.</p> <p>3 Mr. Baird, looking at Exhibit 1, does that</p> <p>4 refresh your recollection of the date of what I'll</p> <p>5 call the pitch meeting?</p> <p>6 A. Well, the document's dated January 29th. If it was</p> <p>7 delivered the same day then I was there.</p> <p>8 Q. Okay. Who else besides you on behalf of the State</p> <p>9 was at that meeting?</p> <p>10 A. I'm not sure I recall everyone, but Andy Dillon was</p> <p>11 there, and Tom Saxton from Treasury was there.</p> <p>12 Those would be the only ones I recall from the State</p> <p>13 right now.</p> <p>14 Q. Do you have a recollection of what was -- do you</p> <p>15 have a recollection of the meeting?</p> <p>16 A. Yes.</p> <p>17 Q. Okay. And Jones Day was one of the law firms that</p> <p>18 made a pitch?</p> <p>19 A. Correct.</p> <p>20 Q. Do you have any recollection of what the people from</p> <p>21 Jones Day said at the meeting?</p> <p>22 A. I mean, that was eight, nine months ago but a</p> <p>23 directional recollection, yes.</p> <p>24 Q. What's the best of your recollection?</p> <p>25 A. My recollection is that Jones Day -- well, first of</p>	<p>1 A. They introduced themselves. They talked about their</p> <p>2 background and their qualifications. They talked</p> <p>3 about experience that they had in Detroit and in</p> <p>4 Michigan. They discussed the fact that out-of-court</p> <p>5 solutions are absolutely preferred, and they talked</p> <p>6 about their experience in out-of-court</p> <p>7 restructuring.</p> <p>8 And then they talked about various -- the</p> <p>9 experience that they had both in out-of-court</p> <p>10 restructurings and in-court restructurings.</p> <p>11 Q. Did they say anything about a potential bankruptcy</p> <p>12 filing by the City of Detroit?</p> <p>13 A. I don't recall specifically, but certainly they</p> <p>14 indicated a continuum of potential proceeding</p> <p>15 depending on what transpired prior to the last</p> <p>16 resort, which would be a Chapter 9 filing.</p> <p>17 Q. That's what they said? They said that would be a</p> <p>18 last resort?</p> <p>19 A. I don't recall if they said that specifically, but</p> <p>20 members of our team made it very clear that it was</p> <p>21 our intent to stay out of the courts.</p> <p>22 Q. When you say our team, who are you referring to?</p> <p>23 A. Mainly Treasury, and I think that would be shared by</p> <p>24 the City leadership that were put in place under the</p> <p>25 consent agreement, the CFO and the program</p>

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<p>1 management director.</p> <p>2 Q. Okay. Do you recall whether Kevyn Orr spoke at the</p> <p>3 meeting?</p> <p>4 A. Yes, he did.</p> <p>5 Q. And do you recall what he said?</p> <p>6 A. He talked about his background and credentials. He</p> <p>7 talked about his experience with Chrysler. He</p> <p>8 talked about his broad restructuring expertise. He</p> <p>9 talked about his ties to Detroit. His mother was a</p> <p>10 professor at University of Michigan. He had</p> <p>11 relatives that continued to have ties in Michigan.</p> <p>12 He recalled even elements of his education where he</p> <p>13 spent a fair amount of time in Detroit.</p> <p>14 It was clear that -- I was impressed by the</p> <p>15 fact that he had a passion for the City, and I was</p> <p>16 very impressed by his knowledge of Michigan and the</p> <p>17 City from his years as an undergrad and law school</p> <p>18 student.</p> <p>19 Q. At the meeting, did you speak to Mr. Orr one-on-one?</p> <p>20 At the meeting or after the meeting. When I say</p> <p>21 after, I mean that day.</p> <p>22 A. I did not speak to -- if you mean one-on-one, did</p> <p>23 the two of us have a one-on-one conversation.</p> <p>24 Q. Right. Did you break off and have a one-on-one?</p> <p>25 A. No. No, I did not.</p>	<p>1 A. No.</p> <p>2 Q. Now, the day after the meeting, you called Jones</p> <p>3 Day; isn't that correct?</p> <p>4 A. I did.</p> <p>5 Q. Okay. And why did you call Jones Day?</p> <p>6 A. Specifically, I called Stephen Brogan, the managing</p> <p>7 partner for Jones Day, and I asked him for</p> <p>8 permission to speak with Kevyn Orr about the</p> <p>9 potential of an emergency manager position if, in</p> <p>10 fact, Detroit were found to be in emergency</p> <p>11 financial distress and the Governor found it</p> <p>12 necessary to recommend to the ELB an EM candidate.</p> <p>13 Q. So you were as of January 30th interested in Mr. Orr</p> <p>14 as a potential candidate to be EM?</p> <p>15 A. I was interested in Mr. Orr after seeing him and his</p> <p>16 background and experience. I was very impressed,</p> <p>17 and that's why I made the call the next day.</p> <p>18 Q. Right, but is it fair to say you were interested in</p> <p>19 him as a potential candidate for EM?</p> <p>20 A. Yes.</p> <p>21 Q. And before you made the call, did you speak to the</p> <p>22 Governor about your interest in Mr. Orr?</p> <p>23 A. I don't recall. I don't think so.</p> <p>24 Q. Did you speak to Mr. Dillon?</p> <p>25 A. Yes.</p>
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<p>1 Q. Okay. Let me ask you also, did either Jones Day or</p> <p>2 Mr. Orr at that meeting say anything about Detroit's</p> <p>3 pensions or pension liability?</p> <p>4 A. I don't recall.</p> <p>5 Q. Let me turn your attention to page 41 of Exhibit 1.</p> <p>6 A. Did I just lose my mic?</p> <p>7 VIDEO TECHNICIAN: Yeah, you did.</p> <p>8 THE WITNESS: What page was that, 41?</p> <p>9 BY MR. DeCHIARA:</p> <p>10 Q. Right. And I'd like to draw your attention in</p> <p>11 particular to the very last line on page 41. I'll</p> <p>12 read it for the record. It says "If needed,</p> <p>13 Chapter 9 could be used as a means to further cut</p> <p>14 back or compromise "accrued financial benefits"</p> <p>15 otherwise protected under the Michigan</p> <p>16 Constitution."</p> <p>17 Do you recall any spoken statements by the</p> <p>18 people from Jones Day along the lines of what's --</p> <p>19 what I just read?</p> <p>20 A. I do not.</p> <p>21 Q. Did you get a copy of what's been marked as</p> <p>22 Exhibit 1?</p> <p>23 A. I believe I did.</p> <p>24 Q. And did you -- after the meeting, did you share it</p> <p>25 with anybody?</p>	<p>1 Q. And what did you and Mr. Dillon -- can you recount</p> <p>2 what you said to Mr. Dillon and what he said to you?</p> <p>3 A. I spoke to Mr. Dillon at the close of the same day,</p> <p>4 which according to this was January 29th, and I</p> <p>5 indicated to him that I was very impressed with</p> <p>6 Mr. Orr and that I was going to call Mr. Brogan the</p> <p>7 next day and see if there was any potential that I</p> <p>8 could talk to Mr. Orr.</p> <p>9 Q. And what did Mr. Dillon say, if anything, in</p> <p>10 response to that?</p> <p>11 A. My recollection is that he said I don't think you</p> <p>12 could ever get him, but he would be an extremely</p> <p>13 quality candidate.</p> <p>14 Q. Okay. Other than the reasons you've already</p> <p>15 testified to today, are there any other reasons you</p> <p>16 were interested in Mr. Orr as a potential candidate</p> <p>17 for EM?</p> <p>18 A. Yeah. Really two. One is that it was always our</p> <p>19 intent to see if we could not solve the incredible</p> <p>20 financial problems by avoiding a Chapter 9 filing,</p> <p>21 and to be honest it was that meeting where it became</p> <p>22 clear to me that somebody who knew their way around</p> <p>23 the courts would actually stand a much better chance</p> <p>24 of keeping us out of the courts in terms of our</p> <p>25 negotiations with creditors and other stakeholders.</p>

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<p>1 Q. I think you said there were two.</p> <p>2 A. Yeah.</p> <p>3 Q. Was that --</p> <p>4 A. That was one. I'm sorry.</p> <p>5 Q. What was the second?</p> <p>6 A. The second one was that he was -- I didn't learn</p> <p>7 this then, but in my first conversation with him I</p> <p>8 learned that he was the son of a teacher and he was</p> <p>9 also the son of a minister, and as part of the</p> <p>10 conversation I had with him going forward I felt</p> <p>11 that the man's character was exactly what we would</p> <p>12 be looking for. If we could convince him to do this</p> <p>13 role he'd do it for the right reasons.</p> <p>14 Q. I'd like to show you a document I'll mark as</p> <p>15 Exhibit 2.</p> <p>16</p> <p>17 (Deposition Exhibit 2 was marked.)</p> <p>18</p> <p>19 BY MR. DeCHIARA:</p> <p>20 Q. And it's a one-page document which is stamped at the</p> <p>21 bottom JD-RD 0000113.</p> <p>22 Mr. Baird, if I can refer your attention to</p> <p>23 the bottom of Exhibit 2, is that an email you wrote</p> <p>24 to Corinne Ball on January 30th, 2013?</p> <p>25 A. Yes.</p>	<p>1 with you I will ask that he call you.</p> <p>2 At that time I thanked Steve and I told him</p> <p>3 that I want you to know whether he talks to us or</p> <p>4 not, you will -- Jones Day will neither be hurt nor</p> <p>5 helped if there's any further discussions about</p> <p>6 Kevyn in this particular role.</p> <p>7 Q. Hurt or helped in what regard?</p> <p>8 A. With regard to their bid -- potential bid to do work</p> <p>9 for the City of Detroit.</p> <p>10 Q. And were you in a position to make that commitment</p> <p>11 to Jones Day as to what the decisionmaking of the</p> <p>12 City of Detroit would be?</p> <p>13 A. Actually, on reflection, no.</p> <p>14 Q. But you made it anyway.</p> <p>15 A. I did.</p> <p>16 Q. Okay. Did Mr. Brogan tell you why he thought it</p> <p>17 was highly unlikely that you'd be able to get</p> <p>18 Kevyn Orr?</p> <p>19 A. He said he had two young children, a wife who was a</p> <p>20 surgeon at Johns Hopkins and the fact that he'd just</p> <p>21 committed to do the Miami deal, and he thought this</p> <p>22 would be too much of a deviation from those plans.</p> <p>23 Q. Did you speak to Mr. Orr that day, January 30th,</p> <p>24 2013?</p> <p>25 A. I don't recall.</p>
Page 22	Page 24
<p>1 Q. And does this refresh your recollection about the</p> <p>2 date on which you called Steve Brogan?</p> <p>3 A. Yes. It was the day after this date, yes.</p> <p>4 Q. Right. So -- well, the email is dated January 30th,</p> <p>5 and the email says in the second sentence "Was on</p> <p>6 phone with Steve Brogan."</p> <p>7 So is it accurate that you called Steve</p> <p>8 Brogan on January 30th?</p> <p>9 A. As I testified, I called Steve Brogan on</p> <p>10 January 30th.</p> <p>11 Q. Okay. So the meeting at which Jones Day made a</p> <p>12 presentation the day before was January 29th?</p> <p>13 A. Correct.</p> <p>14 Q. What did Steve Brogan say when you spoke to him?</p> <p>15 A. Steve said that you're killing me, I just asked this</p> <p>16 man to be the managing partner of our Miami office.</p> <p>17 He also said we would not stand in the way of</p> <p>18 anything that any of our partners wanted to do, but</p> <p>19 frankly, I think the chances of your getting him</p> <p>20 would be highly unlikely.</p> <p>21 With that said, I would give you permission</p> <p>22 to talk to him, and I made it -- no, I take that</p> <p>23 back. It's not that I would give you permission to</p> <p>24 talk to him. I retract that. He said I will talk</p> <p>25 to him, and if there is an interest in him speaking</p>	<p>1 Q. Let me show you a document that may help your</p> <p>2 recollection. I'm going to mark it as Exhibit 3.</p> <p>3</p> <p>4 (Deposition Exhibit 3 was marked.)</p> <p>5</p> <p>6 BY MR. DeCHIARA:</p> <p>7 Q. Mr. Baird, is Exhibit 3 an email --</p> <p>8 A. Well --</p> <p>9 Q. Well, can you identify the top email on Exhibit 3?</p> <p>10 MR. SHERWOOD: Is this the document 303 at</p> <p>11 the end?</p> <p>12 BY MR. DeCHIARA:</p> <p>13 Q. Yes. I'm sorry, let me read the Bate stamp. It's</p> <p>14 stamped at the bottom JD-RD 000303.</p> <p>15 A. Okay. First of all, you asked me if I spoke to</p> <p>16 Kevyn Orr on the same day as I spoke to Stephen</p> <p>17 Brogan --</p> <p>18 Q. Right.</p> <p>19 A. -- and I said I did not recall.</p> <p>20 And according to this email which you've</p> <p>21 handed me it appears that I spoke to Kevyn Orr the</p> <p>22 very next day, the 31st.</p> <p>23 Q. Okay. So this refreshes your recollection that you</p> <p>24 spoke to him the next day?</p> <p>25 A. Yes.</p>

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<p>1 Q. Okay. And what did you -- was it just you and 2 Mr. Orr on the phone when you spoke to him on 3 January 31st, 2013? 4 A. I believe so. 5 Q. And to the best of your recollection tell us what 6 you said and what he said in that discussion. 7 A. I'm going to finish reading this -- 8 Q. Sure. 9 A. -- for a moment. 10 Q. Feel free to do that. 11 A. Okay. Your question? 12 Q. So apart from the document, although feel free to 13 look at the document, what is your recollection of 14 what you said and what he said in the telephone call 15 you had with him on January 31st? 16 A. My recollection is I told him that we were very 17 impressed with his presentation, I was very 18 impressed with his background and experience and 19 that I'd asked Steve Brogan for permission to talk 20 to him. 21 I said that we did not know whether or not 22 Detroit would have to have an emergency manager 23 recommended and appointed, but in the event that 24 such were the case would he under any circumstances 25 be willing to consider I think I called it joining</p>	<p>1 2 (Deposition Exhibit 4 was marked.) 3 4 BY MR. DeCHIARA: 5 Q. For the record, it's one-page document. Exhibit 4 6 is a one-page document stamped at the bottom JD-RD 7 0000327. In the bottom portion of Exhibit 4 there's 8 an email. 9 Mr. Baird, is that an email that you wrote 10 to the various people identified in the email? 11 A. Yes, I recall -- I recall writing this. 12 Q. Okay. And it refers, does it not, to a schedule 13 for Mr. Orr to meet with various people on 14 February 11th? 15 A. Correct. 16 Q. And it refers to a schedule for a 2:30 p.m. meeting 17 with the Governor and with yourself, correct? 18 A. Correct. 19 Q. Did that meeting take place on February 11th? 20 A. I believe it did. 21 Q. And was anyone else present for that meeting other 22 than the three of you; Mr. Orr, yourself and the 23 Governor? 24 A. No. 25 Q. And do you recall what was discussed in that</p>
Page 26	Page 28
<p>1 the Governor's irrational act club. 2 Q. What did he say? 3 A. He shut it down pretty summarily. And he indicated 4 the reasons I'd already mentioned, that he had young 5 children, you know, his schedule -- the scheduling 6 protocol with a surgeon wife made the situation 7 already difficult, he'd just agreed to take the 8 Miami job, and he said he really didn't see under 9 any circumstances how this might work. 10 And I said did you talk to your wife about 11 it? He said well, no, not yet. And I said well, 12 let me just tell you a little bit about other 13 members of the team, let me tell you a little bit 14 about what we've learned about Detroit, and let me 15 ask if you would at least take a night and sleep on 16 it and talk to your wife about this because, 17 frankly, this is the kind of a situation that, you 18 know, a lot of people would not be able to step up 19 to, but I firmly think that you are one who could. 20 Q. Was there any discussion in the conversation about a 21 potential filing for bankruptcy by the City of 22 Detroit? 23 A. No, I don't think so. 24 Q. Okay. Let me now show you a document I'll mark as 25 Exhibit 4.</p>	<p>1 meeting? 2 A. Kevyn's background was discussed, the Governor's 3 passion and commitment for Detroit was discussed. A 4 fair amount of discussion around the two of them and 5 their law school experiences being a year apart was 6 discussed, and that's -- again, most of it was spent 7 talking about Kevyn and his background and 8 experience and some was reminiscing about Michigan 9 law school days. 10 Q. Was there any discussion of a potential bankruptcy 11 filing by the City of Detroit? 12 A. I don't recall; however, in the process of talking 13 with Kevyn, it would have been -- we would have 14 discussed the fact that we need to do everything 15 possible to fix the problem, and the courts should 16 be avoided, but if they can't be avoided then it 17 would have been -- it would have been misleading to 18 suggest that that wasn't a possibility. 19 Q. When you say -- who is the we in that sentence? 20 A. Well, you asked me about a specific meeting. It 21 would have been Governor Snyder and me. 22 Q. So it's the two -- the Governor and yourself who 23 were saying what you just said in the prior 24 sentence? 25 A. Yes.</p>

<p style="text-align: right;">Page 29</p> <p>1 Q. In your prior answer?</p> <p>2 A. Yes.</p> <p>3 Q. Okay.</p> <p>4 A. You have to understand, in general, it's difficult</p> <p>5 to talk about the financial way forward and the</p> <p>6 operating way forward for Detroit without</p> <p>7 contemplating all of the avenues of rescue</p> <p>8 available. Restructuring is clearly the optimum,</p> <p>9 but in the absence of proper movement or ability to</p> <p>10 negotiate, you can't have a discussion about the</p> <p>11 future without looking at all of the options.</p> <p>12 And, of course, the actual discussion with</p> <p>13 Kevyn at this point was simply an option because we</p> <p>14 didn't know if the review would ultimately find</p> <p>15 Detroit in a state of emergency at this point. What</p> <p>16 we did know by this point is that there were several</p> <p>17 areas under the consent agreement that were falling</p> <p>18 short of what had been agreed.</p> <p>19 Q. In the February 11th meeting with you and the</p> <p>20 Governor and Mr. Orr, did any of the three of you</p> <p>21 talk about pensions or pension liability in Detroit?</p> <p>22 A. No, I don't believe so.</p> <p>23 Q. Did you have meetings or discussions with Mr. Orr</p> <p>24 between the -- well, actually, let me back up.</p> <p>25 Was the January 31 telephone call that you</p>	<p style="text-align: right;">Page 31</p> <p>1 the emergency financial manager?</p> <p>2 A. I think that is correct.</p> <p>3 Q. And when did -- when did he become -- when was he</p> <p>4 appointed as EFM?</p> <p>5 A. I don't recall the exact date.</p> <p>6 Q. Do you recall the ballpark in relation to mid March?</p> <p>7 Was it -- actually, let me strike that.</p> <p>8 In relation to the mid March effective date</p> <p>9 of Mr. Orr's appointment as EM, was his appointment</p> <p>10 as EFM days before or weeks before? Do you have</p> <p>11 some order of magnitude?</p> <p>12 A. My recollection is it was days before PA 72 was in</p> <p>13 effect when he was appointed and then 436 came into</p> <p>14 effect I think a matter of days thereafter.</p> <p>15 Q. Okay. So he was -- is it fair to say he was</p> <p>16 appointed as EFM in early to mid March?</p> <p>17 A. Again, I remember mid March. That's all I remember.</p> <p>18 Q. Okay. I'd like to show you a document I'll mark as</p> <p>19 Exhibit 5.</p> <p>20</p> <p>21 (Deposition Exhibit 5 was marked.)</p> <p>22</p> <p>23 BY MR. DeCHIARA:</p> <p>24 Q. And for the record, I'll identify it as a three-page</p> <p>25 document that's stamped at the bottom. The stamp on</p>
<p style="text-align: right;">Page 30</p> <p>1 had with Mr. Orr the first time you had a</p> <p>2 conversation with him?</p> <p>3 A. Except for the public back and forth on the 29th.</p> <p>4 Q. Okay. So between the 31st of January and this</p> <p>5 February 11th meeting, did you have additional</p> <p>6 discussions with Mr. Orr?</p> <p>7 A. I don't recall explicitly, but I'm sure that I did.</p> <p>8 Q. Okay. Do you recall whether in any of those</p> <p>9 discussions you talked about Detroit's pensions or</p> <p>10 pension liability?</p> <p>11 A. I don't believe so.</p> <p>12 Q. Okay. Did you talk about the prospect of or a</p> <p>13 possibility of Detroit filing for bankruptcy?</p> <p>14 A. I don't recall.</p> <p>15 Q. Now, Mr. Orr was appointed as EM, correct?</p> <p>16 A. He was recommended by the Governor to the Emergency</p> <p>17 Loan Board, and the Emergency Loan Board appointed</p> <p>18 him as EM, yes.</p> <p>19 Q. And do you know the date that that appointment</p> <p>20 became effective?</p> <p>21 A. I don't remember the exact date. It was around mid</p> <p>22 March.</p> <p>23 Q. Now, is it correct that before Mr. Orr was appointed</p> <p>24 as EM, emergency manager, he had earlier been</p> <p>25 appointed under a prior statute, PA 72, as the EFM,</p>	<p style="text-align: right;">Page 32</p> <p>1 the first page is JD-RD 0000216.</p> <p>2 MR. WERTHEIMER: That's five you said?</p> <p>3 MR. DeCHIARA: Yes.</p> <p>4 BY MR. DeCHIARA:</p> <p>5 Q. Mr. Baird, if you could look at the email at the</p> <p>6 bottom half of Exhibit 5. If you want to take the</p> <p>7 time to look at the whole document, why don't you do</p> <p>8 that.</p> <p>9 A. Well, I'll let you know if I need to.</p> <p>10 Q. All right.</p> <p>11 A. I recall the document.</p> <p>12 Q. Okay. All right. So is it accurate that the email</p> <p>13 at the bottom of Exhibit 5 is an email that you</p> <p>14 wrote to Kevyn Orr on February 20th, 2013?</p> <p>15 A. I believe so.</p> <p>16 Q. What were you -- what was the reference in the first</p> <p>17 sentence to the summary of partnership?</p> <p>18 A. Mayor Bing crafted a document that he described as a</p> <p>19 working arrangement or working partnership or</p> <p>20 something, I forget exactly -- summary of</p> <p>21 partnership perhaps is what he called it, and he</p> <p>22 gave that to me in a meeting. We discussed it.</p> <p>23 I told him that if, in fact, there was to</p> <p>24 be an emergency manager for Detroit that this would</p> <p>25 be something that he or she would have to review. I</p>

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<p>1 also said that this would be a good aspirational</p> <p>2 document but that it would be imprudent to bind a</p> <p>3 future emergency manager to something that he or she</p> <p>4 had not developed.</p> <p>5 Q. Had the emergency manager at that point been chosen?</p> <p>6 A. No.</p> <p>7 Q. Let me refer you to the second -- the second</p> <p>8 sentence of your email. It says "Told him that</p> <p>9 there were certain things I would not think we could</p> <p>10 agree to without your review, assessment and</p> <p>11 determination (such as keeping the executive team in</p> <p>12 its entirety)."</p> <p>13 A. Uh-huh.</p> <p>14 Q. Now, the you in that -- the your in that sentence</p> <p>15 refers to Mr. Orr, correct?</p> <p>16 A. Correct.</p> <p>17 Q. So is it -- am I reading this correctly that what</p> <p>18 you're saying to Mr. Orr in this sentence is that</p> <p>19 unless Mr. Orr agreed to certain things that you</p> <p>20 spell out in this sentence -- or you were saying</p> <p>21 that Mr. Orr's agreement to certain things that you</p> <p>22 refer to in this sentence were necessary.</p> <p>23 A. No. I don't think that would be correct.</p> <p>24 What I intended is that Kevyn Orr had not</p> <p>25 yet agreed if recommended to serve in this capacity.</p>	<p>1 have been thinking at the time of what I thought the</p> <p>2 chief of staff and/or the Governor might be</p> <p>3 thinking, but I don't recall who my we was other</p> <p>4 than me.</p> <p>5 Q. Let me read the third sentence. It says "Will</p> <p>6 broker a meeting via note between you and the</p> <p>7 Mayor's personal assistant who is not FOIAble."</p> <p>8 That's F-O-I-A-b-l-e.</p> <p>9 A. Uh-huh.</p> <p>10 Q. Did you attempt to broker a meeting -- did you</p> <p>11 broker a meeting between Mr. Orr and the Mayor's</p> <p>12 personal assistant?</p> <p>13 A. I brokered a connection via note.</p> <p>14 Q. And when did you do that?</p> <p>15 A. I don't recall, but it would have been fairly soon</p> <p>16 after this.</p> <p>17 Q. Okay. And can you explain what you mean by broker a</p> <p>18 meeting by a note?</p> <p>19 A. That I would introduce them to one another, provide</p> <p>20 their contact information, and step back and ask</p> <p>21 them to work out when and where they would meet to</p> <p>22 determine the kind of relationship they might seek</p> <p>23 to have.</p> <p>24 Q. Were there other candidates for EM who were still</p> <p>25 being considered as of February 20th, 2013?</p>
Page 34	Page 36
<p>1 He was still doing his own due diligence determining</p> <p>2 if he could separate from his firm, a number of</p> <p>3 other issues. What he did say to me is that if he</p> <p>4 were, in fact, to go forward it would be important</p> <p>5 to him that he have a working relationship with the</p> <p>6 Mayor. And that's actually where this document came</p> <p>7 from because I'd mentioned to the Mayor that that</p> <p>8 would be important. At this point, the Mayor didn't</p> <p>9 know who Kevyn Orr was.</p> <p>10 So the purpose of writing this to Kevyn was</p> <p>11 that so he could have an understanding of where the</p> <p>12 Mayor's thought process was and so that he could use</p> <p>13 this information in the event that he and the Mayor</p> <p>14 met, which we had been discussing doing because of</p> <p>15 the fact that he wanted a strong working</p> <p>16 relationship with the Mayor.</p> <p>17 Q. Okay. In the sentence it's -- I'll quote part of</p> <p>18 the sentence. It says "...I would not think we</p> <p>19 could agree to without your review, assessment and</p> <p>20 determination."</p> <p>21 Who is the we in that sentence?</p> <p>22 A. I think I used a poor choice of words. I was</p> <p>23 referring to myself, looking at this, and having</p> <p>24 some difficulty with a few of the issues here. And</p> <p>25 so I think the we would be certainly me, and I may</p>	<p>1 A. Yes.</p> <p>2 Q. Did you broker a meeting between the Mayor's</p> <p>3 personal assistant and those other candidates?</p> <p>4 A. No.</p> <p>5 Q. Did you write an email similar to this one to the</p> <p>6 other candidates where you said I would not think we</p> <p>7 could agree to without your review, assessment and</p> <p>8 determination?</p> <p>9 A. No.</p> <p>10 Q. Do you know whether Mr. Bing -- I'm sorry, Mr. Orr</p> <p>11 met with the Mayor's personal assistant?</p> <p>12 A. I don't know.</p> <p>13 Q. Okay. What did you mean by the phrase who is not</p> <p>14 FOIAble?</p> <p>15 A. The Mayor and Kevyn wished to meet privately, and so</p> <p>16 the person who was going to set that up was someone</p> <p>17 the Mayor had recommended set it up because she, I</p> <p>18 believe, was not a City employee.</p> <p>19 Q. Oh, so the Mayor's personal assistant was not a City</p> <p>20 employee?</p> <p>21 A. I believe when I said personal, it was personal</p> <p>22 assistant.</p> <p>23 Q. And why did you tell Mr. Orr in this email that the</p> <p>24 personal assistant was not FOIAble?</p> <p>25 A. Because she was not -- it was my understanding she</p>

<p style="text-align: right;">Page 37</p> <p>1 was not a City employee.</p> <p>2 Q. Why did you think that was something -- that she was</p> <p>3 not FOIAble, why did you think that was something</p> <p>4 worth mentioning to Mr. Orr in this email? What did</p> <p>5 it matter?</p> <p>6 A. Because the Mayor wished for a private meeting, not</p> <p>7 a meeting that would be publicly disclosed.</p> <p>8 Q. Did Mr. Orr say anything about whether he wanted a</p> <p>9 private meeting?</p> <p>10 A. I don't recall. He said he wanted a meeting. I</p> <p>11 don't recall him saying he wanted a private meeting.</p> <p>12 Q. Okay. So who was it that wanted the meeting or was</p> <p>13 it both? The Mayor or Mr. Orr?</p> <p>14 A. Mayor Bing wanted to meet the potential candidate,</p> <p>15 and Mr. Orr wanted to assess a potential working</p> <p>16 relationship with Mayor Bing as one of the</p> <p>17 conditions for success in the event he accepted the</p> <p>18 recommendation.</p> <p>19 Q. How did Mr. Bing know that Mr. Orr was a candidate?</p> <p>20 A. I told him.</p> <p>21 Q. Okay. Did you tell him who the other candidates</p> <p>22 were?</p> <p>23 A. No. And I didn't tell him Mr. Orr's name until such</p> <p>24 time as he -- the two of them expressed a desire to</p> <p>25 meet.</p>	<p style="text-align: right;">Page 39</p> <p>1 The G is the Governor?</p> <p>2 A. Yes.</p> <p>3 Q. Okay. And then it continues "If you agree with what</p> <p>4 I have done to the doc based on everyone's input,</p> <p>5 and agree that you should be the one to provide it</p> <p>6 to the Mayor as fully endorsed by the Governor and</p> <p>7 the Treasurer (and you), then I think that clearly</p> <p>8 establishes that you are already behaving as an</p> <p>9 agent of the State committed to getting Detroit back</p> <p>10 on track."</p> <p>11 What was the doc? And I assume that was</p> <p>12 short for document?</p> <p>13 A. Yes.</p> <p>14 Q. What was the document you were referring to?</p> <p>15 A. It would have been the summary of partnership that</p> <p>16 the original draft had been provided by Mayor Bing.</p> <p>17 Q. Okay. So you were showing -- in this email you were</p> <p>18 showing Mr. Orr certain modifications you had made</p> <p>19 to the document; is that correct?</p> <p>20 A. Yes.</p> <p>21 Q. And were you looking for his input?</p> <p>22 A. I was looking for input and/or agreement.</p> <p>23 Q. From Mr. Orr?</p> <p>24 A. Yes.</p> <p>25 Q. Okay. Did you -- this is two days after the</p>
<p style="text-align: right;">Page 38</p> <p>1 Q. Okay. I'd like to mark as Exhibit 6 another</p> <p>2 document which I'll have the court reporter show</p> <p>3 you.</p> <p>4</p> <p>5 (Deposition Exhibit 6 was marked.)</p> <p>6</p> <p>7 BY MR. DeCHIARA:</p> <p>8 Q. And for the record, I'll identify it as a multipage</p> <p>9 document. The first page is stamped at the bottom</p> <p>10 JD-RD 0000459.</p> <p>11 Mr. Baird, let me refer your attention to</p> <p>12 the email that's in the middle of the first page of</p> <p>13 Exhibit 6. Is that an email that you wrote to Kevyn</p> <p>14 Orr on February 22nd, 2013?</p> <p>15 A. Is that the one timed 11:35 a.m.?</p> <p>16 Q. I'm looking at the one that says 11:41 a.m.</p> <p>17 A. Okay.</p> <p>18 Q. That's sort of smack in the middle. Or at least the</p> <p>19 date code is sort of right in the middle of --</p> <p>20 A. Yes, I believe I sent that.</p> <p>21 Q. Okay. And do you recall this email?</p> <p>22 A. Vaguely I recall it.</p> <p>23 Q. It says "Kevyn, about to be in a car for several</p> <p>24 hours so I thought I would send this to you prior to</p> <p>25 hearing back from the G a final time."</p>	<p style="text-align: right;">Page 40</p> <p>1 document we were discussing in Exhibit 5.</p> <p>2 Were there still other candidates for the</p> <p>3 EM position as of February 22nd, 2013?</p> <p>4 A. There was one other candidate.</p> <p>5 Q. Okay. Did you send that other candidate an email</p> <p>6 like this looking for the other candidate's input</p> <p>7 and agreement to the document you refer to in</p> <p>8 Exhibit 6?</p> <p>9 A. No.</p> <p>10 Q. Okay. Did Mr. Orr give you his input and/or</p> <p>11 agreement?</p> <p>12 A. I believe he did.</p> <p>13 Q. Okay. And did his giving the input or agreement</p> <p>14 clearly establish to you that he was already</p> <p>15 behaving as an agent of the State?</p> <p>16 A. No. The use of the term agent of the State was my</p> <p>17 attempt at continuing the recruiting pressure on</p> <p>18 Kevyn Orr because he was clearly not an agent of the</p> <p>19 State.</p> <p>20 Q. But nonetheless you wrote to him saying that if he</p> <p>21 did what you were asking, he -- that would clearly</p> <p>22 establish that he was already behaving as an agent</p> <p>23 of the State.</p> <p>24 Am I reading what you wrote there</p> <p>25 correctly?</p>

<p style="text-align: right;">Page 41</p> <p>1 A. The man had not formally committed to the role, and</p> <p>2 I was attempting to recruit him. And it was in that</p> <p>3 context that I put that statement, which now would</p> <p>4 appear to be a little presumptuous on my part.</p> <p>5 Q. Just to be clear, at this point Mr. Orr was still a</p> <p>6 partner at the Jones Day law firm?</p> <p>7 A. I believe so.</p> <p>8 Q. Okay. Well, in fact, he didn't cease to be a</p> <p>9 partner until he became EM -- or EFM; is that</p> <p>10 correct?</p> <p>11 A. I never saw his withdrawal from the partnership, so</p> <p>12 you'd have to talk to them about that.</p> <p>13 Q. Okay. Do you have a general understanding about</p> <p>14 when he severed his ties with the firm?</p> <p>15 A. My understanding is he was no longer a partner when</p> <p>16 he became the EM.</p> <p>17 Q. Was he a partner when he became the EFM?</p> <p>18 A. No. Well, I don't know, but my understanding was</p> <p>19 that he was not.</p> <p>20 Q. Are you familiar with a provision of the Michigan</p> <p>21 State Constitution, Article 9 Section 24, that</p> <p>22 refers to pensions?</p> <p>23 A. I am.</p> <p>24 Q. What's your understanding of that provision?</p> <p>25 A. Would you like to read it?</p>	<p style="text-align: right;">Page 43</p> <p>1 A. Yes.</p> <p>2 Q. And on one occasion or more than one occasion?</p> <p>3 A. One occasion.</p> <p>4 Q. What occasion was that?</p> <p>5 A. It was early on in our conversation where I</p> <p>6 indicated to him that I was aware of the existence</p> <p>7 of the article and that he should be aware of it as</p> <p>8 well. He said he was aware of it. And that was our</p> <p>9 discussion.</p> <p>10 Q. And was this -- can you locate this conversation in</p> <p>11 time? Was it, for example, before the February 11th</p> <p>12 meeting that you and Mr. Orr and the Governor had?</p> <p>13 A. No, sir, I can't. During the course of a</p> <p>14 recruitment you cover an awful lot of ground and you</p> <p>15 answer a lot of questions and you raise lots of</p> <p>16 issues, and you do the best you can to help an</p> <p>17 individual get to the best answer as it relates to</p> <p>18 an opportunity like this.</p> <p>19 Q. Okay. Was it -- the conversation before Mr. Orr</p> <p>20 became EM?</p> <p>21 A. Yes. I believe it was.</p> <p>22 Q. It was while you were recruiting him, correct?</p> <p>23 A. Yes.</p> <p>24 Q. Okay. So you -- just so I understand, you on one</p> <p>25 occasion brought up to him, Mr. Orr, the subject of</p>
<p style="text-align: right;">Page 42</p> <p>1 Q. No, I just want to know what your general</p> <p>2 understanding is of the provision.</p> <p>3 A. Well, I'm not an attorney so I'm not going to give a</p> <p>4 legal interpretation.</p> <p>5 Q. And just for the record, I'm not seeking one.</p> <p>6 A. Okay. Good.</p> <p>7 Q. But you do have some idea what the provision is</p> <p>8 about?</p> <p>9 A. I've read the provision.</p> <p>10 Q. Okay. What's your understanding of it?</p> <p>11 A. My understanding of it is that the Constitution</p> <p>12 protects pensions to the extent that they are fully</p> <p>13 accrued and then they cannot be altered.</p> <p>14 There is some degree of difference of</p> <p>15 opinion about whether a fully-funded pension has the</p> <p>16 same protection under the Constitution as one that</p> <p>17 is not fully funded.</p> <p>18 Q. And do you have a view on that subject?</p> <p>19 A. No.</p> <p>20 Q. Have you ever discussed Article 9 Section 24 with</p> <p>21 anybody?</p> <p>22 A. Yes.</p> <p>23 Q. With whom have you discussed it?</p> <p>24 A. I don't recall. Various people.</p> <p>25 Q. Have you ever discussed it with Kevyn Orr?</p>	<p style="text-align: right;">Page 44</p> <p>1 Article 9 Section 24?</p> <p>2 A. I brought up to him the fact that the Michigan</p> <p>3 Constitution has a provision as it relates to</p> <p>4 pensions and he should be aware of it.</p> <p>5 Q. And what did he respond?</p> <p>6 A. He said he was aware of it.</p> <p>7 Q. Did you have any further discussion about Article 9</p> <p>8 Section 24?</p> <p>9 A. No.</p> <p>10 Q. Okay. Other than Mr. Orr -- well, strike that.</p> <p>11 Did you ever speak to the Governor about</p> <p>12 Article 9 Section 24?</p> <p>13 MR. ELLSWORTH: Object to the extent that</p> <p>14 it may call for lawyer-client privileged</p> <p>15 information.</p> <p>16 BY MR. DeCHIARA:</p> <p>17 Q. Okay. I'm going to modify my question to ask you to</p> <p>18 exclude occasions on which you spoke to the Governor</p> <p>19 in the presence of counsel.</p> <p>20 A. The answer would be no.</p> <p>21 Q. Did you ever speak to Mr. Dillon about Article 9</p> <p>22 Section 24 with the same caveat as to not in front</p> <p>23 of counsel?</p> <p>24 A. I don't think so.</p> <p>25 Q. Do you recall speaking to anyone at Jones Day about</p>

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<p>1 Article 29 -- Article 9 Section 24 of the Michigan 2 Constitution? 3 MR. ELLSWORTH: Same objection. 4 MR. DeCHIARA: Okay. 5 BY MR. DeCHIARA: 6 Q. Let me modify it to say before Jones Day was 7 retained by the City, did you speak to anyone at 8 Jones Day about Article 9 Section 24? 9 A. No, I don't believe so. 10 Q. Did you ever speak to the Attorney General of the 11 State of Michigan about Article 9 Section 24? 12 A. No. 13 MR. ELLSWORTH: Objection; attorney-client. 14 BY MR. DeCHIARA: 15 Q. Did you ever speak to Mr. Orr about what could or 16 should be done about Detroit's pension liability? 17 A. No. 18 Q. Outside of the presence of counsel, did you ever 19 have a discussion on that subject with the Governor? 20 A. No. 21 Q. What about with Mr. Dillon? 22 A. No. 23 Q. What about with anyone else on the staff of Mr. Orr 24 or on the staff of the Governor or the staff of 25 Mr. Dillon, again, outside the presence of counsel?</p>	<p>1 Q. And who -- did you ask Mr. Orr for this data? 2 A. I asked Mr. Orr to see if the data could be obtained 3 because I thought it was relevant. 4 Q. And what would it be relevant to in your -- why did 5 you think it was relevant? 6 A. At the time I was wondering if it was possible for 7 the State to consider legislation that would provide 8 an incremental safety net to those at the lower end 9 of the spectrum. 10 Q. And you said you thought that was relevant. What 11 did you think it was relevant to? 12 A. Well, it was relevant to a question I had, and I 13 didn't know the answer so I asked to get the data. 14 Q. What was the question you had? 15 A. My question was whether or not there were other 16 avenues to provide relief to those pensioners that 17 conceivably could be impacted at the lower end of 18 the continuum. 19 And that was not based on discussions with 20 anybody else, it was simply a question that I had 21 because I didn't know the answer. 22 Q. And the question you had, when you say the person -- 23 the pensioners who would be impacted, were you 24 thinking impacted in that their accrued pension 25 benefits might be reduced?</p>
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<p>1 A. I recall one conversation where I requested some 2 analytics on the distribution of pensioner income, 3 so instead of dealing with averages I could see the 4 distribution between those at the low end, those at 5 the high end and where it all fell so I could at 6 least have some understanding of what any impact 7 would be in the event of pension reduction. 8 Q. Who did you have that conversation with? 9 A. I know I had it with Kevyn Orr once and I believe I 10 had it with Andy Dillon once. 11 Q. When was your conversation with Mr. Orr on the 12 subject? 13 A. It would have been after he was the emergency 14 manager, but I don't recall how long he'd been in 15 that role. 16 Q. Okay. Was it before the bankruptcy filing? 17 A. I don't believe so. 18 Q. You think it was after the bankruptcy filing? 19 A. I think it was. 20 Q. Okay. And did you say that you requested data on 21 pensions from somebody? 22 A. I requested data on -- whether the data existed on 23 the distribution by pension amount, numbers of 24 pensioners and pension amount, for the current 25 roughly 20,000 pensioners.</p>	<p>1 A. Yes. 2 Q. And did Mr. Orr provide you the data you requested? 3 A. No. 4 Q. Did he -- when you asked him for it, what did he 5 say, if anything? 6 A. He said it was a good question and he'd get back to 7 me. But to the best of my recollection, he didn't. 8 Q. Did you ever follow up? 9 A. I honestly can't remember. 10 Q. Okay. Did he say anything other than it's a good 11 question? 12 A. Nope. 13 Q. You said you had a conversation with Andy Dillon on 14 the same subject. When was your conversation with 15 him on this subject? 16 A. It would have been about the same time. This was 17 after the bankruptcy had already been filed and 18 there was a lot of noise about whether pensions 19 would be impacted, and I was trying to ascertain the 20 practical implications if they were. 21 Q. And did you ask Mr. Dillon for the data on the 22 distribution of the number of pensioners and -- 23 A. No. 24 Q. -- the amount of pensions? 25 A. No. I asked -- I actually told him that I'd ask</p>

<p style="text-align: right;">Page 49</p> <p>1 Kevyn, that I'd made that question to Kevyn.</p> <p>2 Q. And did Mr. Dillon say anything in response when you</p> <p>3 told him that?</p> <p>4 A. Good question.</p> <p>5 Q. Did he ever -- did he or anyone on his staff ever</p> <p>6 get back to you with the data you were looking for?</p> <p>7 A. Not that I recall.</p> <p>8 Q. Did you speak to anyone about your idea to have</p> <p>9 legislation that would provide an incremental safety</p> <p>10 net for the people on the low end of the spectrum?</p> <p>11 A. I spoke with Dennis Muchmore about it, the</p> <p>12 Governor's chief of staff, and he's the only one.</p> <p>13 Q. And what did he say, if anything?</p> <p>14 A. He didn't know. He said I don't know what the</p> <p>15 appetite for that would be, but it's a good</p> <p>16 question.</p> <p>17 Q. Now, were you -- when you spoke to Mr. Muchmore,</p> <p>18 were you proposing that Mr. Muchmore take steps to</p> <p>19 see if such legislation could be enacted?</p> <p>20 A. No. I was asking a question about in the event that</p> <p>21 pensions were impacted what is the practical</p> <p>22 implication to those depending on the money every</p> <p>23 month. I wanted to know.</p> <p>24 Q. And do you know now as you sit here today? Have you</p> <p>25 ever seen that data?</p>	<p style="text-align: right;">Page 51</p> <p>1 A. Let me back up. I'm a numbers guy. I wanted to</p> <p>2 know of the 20,000 pensioners that exist, where do</p> <p>3 they fall along a distribution continuum.</p> <p>4 What I was looking to see is whether the</p> <p>5 distribution, the standard deviation was such that</p> <p>6 if there was a reduction that the number -- would</p> <p>7 the numbers be material if that reduction were</p> <p>8 weighted toward the larger pension earners versus</p> <p>9 the lower pension earners.</p> <p>10 And, anecdotally, I was told that the</p> <p>11 number of pension earners are at the lower end and</p> <p>12 that the standard deviation is not very great.</p> <p>13 Q. So in order for there to be a meaningful savings by</p> <p>14 the City if it reduced pensions, it would have to</p> <p>15 reduce the pensions of many of those people who are</p> <p>16 at the low end of the spectrum; is that -- am I</p> <p>17 understanding that correctly?</p> <p>18 A. Anecdotally, that's my understanding.</p> <p>19 Q. Okay. And did you have any practical -- I'm</p> <p>20 sorry -- did you have any sense, anecdotally or</p> <p>21 otherwise, of what the real world impact would be on</p> <p>22 those individuals on the low end of the spectrum if</p> <p>23 their pensions were reduced?</p> <p>24 A. No, because the data never materialized for me.</p> <p>25 Q. Do you have any sense whether if pensions of those</p>
<p style="text-align: right;">Page 50</p> <p>1 A. No, I have not.</p> <p>2 Q. Okay. But did you speak to Mr. Muchmore about the</p> <p>3 idea of the legislation you described?</p> <p>4 A. I just mentioned to him -- I asked him the question</p> <p>5 what do you think the appetite would be, and he said</p> <p>6 he didn't know.</p> <p>7 Q. Okay. Do you know whether there had been any</p> <p>8 discussions by the Governor and his staff about the</p> <p>9 legislation you described?</p> <p>10 A. No, I don't.</p> <p>11 Q. Have you ever followed up?</p> <p>12 A. Not on that, no.</p> <p>13 Q. Do you have any sense without having seen the data</p> <p>14 of what the practical impact would be on the</p> <p>15 individuals at the low end of the spectrum if their</p> <p>16 accrued pension benefits were reduced?</p> <p>17 A. Only anecdotal.</p> <p>18 Q. And what's your anecdotal knowledge?</p> <p>19 A. Anecdotal knowledge is that the majority of the</p> <p>20 pensioners are at the lower end of the spectrum and</p> <p>21 so the implications of a pension reduction probably</p> <p>22 couldn't be directed toward the higher end of the</p> <p>23 spectrum at a sufficient level to make it feasible.</p> <p>24 Q. So your understanding is that -- to make what</p> <p>25 feasible?</p>	<p style="text-align: right;">Page 52</p> <p>1 people at the low end of the spectrum were reduced</p> <p>2 it would be difficult for those individuals to make</p> <p>3 ends meet?</p> <p>4 A. I don't know.</p> <p>5 MR. ELLSWORTH: I wasn't sure he heard your</p> <p>6 question because he was retrieving his microphone.</p> <p>7 BY MR. DeCHIARA:</p> <p>8 Q. Did you hear my question?</p> <p>9 A. Would you repeat it?</p> <p>10 Q. Sure. Do you have any sense whether if the pensions</p> <p>11 of those people at the low end of the spectrum were</p> <p>12 reduced, would it be difficult for those individuals</p> <p>13 to make ends meet?</p> <p>14 A. I would have no way of knowing in the absence of</p> <p>15 real data.</p> <p>16 Q. Are you familiar with a letter that the Governor</p> <p>17 signed on July 18th, 2013, in which he purported to</p> <p>18 authorize the filing of the bankruptcy of the City</p> <p>19 of Detroit?</p> <p>20 A. I know that that letter existed.</p> <p>21 Q. Okay. Did you see the letter in any draft or</p> <p>22 nonfinal forms before the Governor signed it?</p> <p>23 A. No.</p> <p>24 Q. Did you participate in any way in the preparation of</p> <p>25 that letter?</p>

<p style="text-align: right;">Page 53</p> <p>1 A. No.</p> <p>2 Q. Did the Governor speak to you about the preparation</p> <p>3 of that letter?</p> <p>4 A. No.</p> <p>5 Q. Did he speak to you about the contents of the letter</p> <p>6 before he signed the letter?</p> <p>7 A. No.</p> <p>8 Q. Did you have anything at all to do with that letter?</p> <p>9 A. No.</p> <p>10 Q. Okay. You're aware, are you not, that a couple days</p> <p>11 before the Governor signed that letter that Mr. Orr</p> <p>12 had sent the Governor a letter in which Mr. Orr</p> <p>13 requested permission to file for bankruptcy, right?</p> <p>14 A. I am aware. I don't recall having seen that letter</p> <p>15 but I am aware one was sent.</p> <p>16 Q. Have you ever seen that letter?</p> <p>17 A. I don't think so.</p> <p>18 Q. Did Mr. Orr ever speak to you about that letter</p> <p>19 before he sent it?</p> <p>20 A. He spoke to me, yes.</p> <p>21 Q. And was it on one or more than one occasion?</p> <p>22 A. No, just on one occasion.</p> <p>23 Q. Let me represent to you the letter was dated</p> <p>24 July 16th, 2013.</p> <p>25 When did you speak to Mr. Orr about the</p>	<p style="text-align: right;">Page 55</p> <p>1 A. I don't recall.</p> <p>2 Q. Was it a face-to-face meeting or a telephone call?</p> <p>3 A. I believe it was telephone.</p> <p>4 Q. And to the best of your recollection, can you</p> <p>5 recount what you said and what he said in that</p> <p>6 telephone call?</p> <p>7 A. I honestly don't recall other than he said I haven't</p> <p>8 completed my conversations with the restructuring</p> <p>9 team relative to their scope and services and fee</p> <p>10 projections, and I agreed to do that on his behalf.</p> <p>11 Q. Who was the restructuring team?</p> <p>12 A. These would have been the principals associated with</p> <p>13 Conway MacKenzie, Ernst and Young, Jones Day, and</p> <p>14 Miller Buckfire.</p> <p>15 Q. And Mr. Orr said he wanted to complete a</p> <p>16 conversation with those individuals you just</p> <p>17 mentioned about their fees?</p> <p>18 A. Yeah. He had been engaged with them around putting</p> <p>19 a fine point on their fee estimates as opposed to a</p> <p>20 broad -- you know, sort of broad here's what we</p> <p>21 think it might cost, but he hadn't had the, you</p> <p>22 know, detailed discussions and so he asked if I</p> <p>23 would do that.</p> <p>24 Q. And did you do that?</p> <p>25 A. I did.</p>
<p style="text-align: right;">Page 54</p> <p>1 letter?</p> <p>2 A. I don't recall, but it would have been very near</p> <p>3 when it was sent.</p> <p>4 Q. Near before or near after?</p> <p>5 A. Maybe right at the time it was sent. I recall a</p> <p>6 conversation with Kevyn where he said I'm going to</p> <p>7 do this.</p> <p>8 Q. Okay. What else, if anything, do you recall about</p> <p>9 that conversation?</p> <p>10 A. The reason I recall it is because he had asked me to</p> <p>11 circle back to members of the consulting</p> <p>12 restructuring team to talk to them about their scope</p> <p>13 and service and fees because it was -- these were</p> <p>14 conversations he had planned to have but hadn't had</p> <p>15 a chance, and so I did that.</p> <p>16 Q. So about the time that -- I just want to see if I'm</p> <p>17 understanding your testimony.</p> <p>18 About the time that Mr. Orr sent his</p> <p>19 July 16th letter to the Governor requesting</p> <p>20 permission to file for bankruptcy, he spoke to you</p> <p>21 about the letter?</p> <p>22 A. I believe he did.</p> <p>23 Q. Okay. Did he call you?</p> <p>24 A. I don't recall.</p> <p>25 Q. Did he initiate the contact?</p>	<p style="text-align: right;">Page 56</p> <p>1 Q. And what, if anything, did that have to do with the</p> <p>2 July 16th letter that Mr. Orr sent to the Governor</p> <p>3 to request permission to file for bankruptcy?</p> <p>4 A. I think it was important because the fees and the</p> <p>5 scope once the filing had been completed would not</p> <p>6 have been subject to much in the way of reduction.</p> <p>7 Q. Did you have any other -- was that the extent of</p> <p>8 your conversation with Mr. Orr on that occasion?</p> <p>9 A. Yes.</p> <p>10 Q. And did you have any other discussions with Mr. Orr</p> <p>11 about his July 16th letter before he sent the</p> <p>12 letter?</p> <p>13 A. No.</p> <p>14 Q. Do you -- are you aware that in the Governor's</p> <p>15 letter, the July 18th, 2013 letter, the Governor</p> <p>16 said that he was not going to impose contingencies</p> <p>17 on the filing? Are you familiar with that?</p> <p>18 A. No, I don't recall actually having ever seen the</p> <p>19 letter.</p> <p>20 Q. Okay. Are you aware that there were certain state</p> <p>21 court lawsuits that were filed prior to the</p> <p>22 bankruptcy filing concerning issues related to</p> <p>23 Article 29 Section 24 of the Michigan Constitution?</p> <p>24 MR. WERTHEIMER: Article 9.</p> <p>25 MR. DeCHIARA: Thank you.</p>

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<p>1 BY MR. DeCHIARA:</p> <p>2 Q. Article 9 Section 24 of the Michigan Constitution?</p> <p>3 A. No.</p> <p>4 Q. Did you ever discuss with the Governor the timing of</p> <p>5 the bankruptcy filing, meaning outside of the scope</p> <p>6 of counsel, did you ever discuss with the Governor</p> <p>7 when it would be best to -- for the City of Detroit</p> <p>8 to file for bankruptcy?</p> <p>9 A. No.</p> <p>10 Q. Are you aware that the State or at least the</p> <p>11 Governor's office had prepared a schedule that</p> <p>12 indicated that the bankruptcy filing was to occur on</p> <p>13 July 19th, 2013, but it actually occurred the prior</p> <p>14 day? Are you aware of that?</p> <p>15 A. I'm aware of a communications schedule that had the</p> <p>16 19th I think as the date.</p> <p>17 Q. And are you aware that the filing actually occurred</p> <p>18 the day before?</p> <p>19 A. I was aware of the filing when it occurred, which</p> <p>20 occurred the day before.</p> <p>21 Q. Okay. Do you have any understanding or knowledge as</p> <p>22 to why it occurred the day before it had been</p> <p>23 planned to occur?</p> <p>24 A. No.</p> <p>25 Q. Did you ever -- outside of the presence of legal</p>	<p>1 final?</p> <p>2 A. No. Well, not that I recall.</p> <p>3 Q. Not that you recall?</p> <p>4 A. Yeah. If somebody asked me, it's an email I never</p> <p>5 saw because I didn't review it.</p> <p>6 Q. Okay. Okay. Did you speak to the Governor outside</p> <p>7 of the presence of legal counsel about the</p> <p>8 June 14th, 2013 proposal?</p> <p>9 A. I don't believe so.</p> <p>10 Q. Did you speak to Mr. Dillon?</p> <p>11 A. Yes.</p> <p>12 Q. Outside of the presence of legal counsel about the</p> <p>13 June 14th, 2013 proposal?</p> <p>14 A. No.</p> <p>15 Q. You spoke to him, but it was in the presence of</p> <p>16 legal counsel?</p> <p>17 A. Yes.</p> <p>18 Q. Okay. Did you speak to anyone on the Governor's</p> <p>19 staff or Mr. Dillon's staff outside of legal counsel</p> <p>20 about the June 14th, 2013 proposal?</p> <p>21 A. No.</p> <p>22 Q. Did you speak to Mr. Orr about his proposal at any</p> <p>23 time on or before June 14th, 2013?</p> <p>24 A. No.</p> <p>25 Q. Did you speak to him about -- did you speak to</p>
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<p>1 counsel, did you ever discuss that with the</p> <p>2 Governor?</p> <p>3 A. No.</p> <p>4 Q. Okay. Did you speak with the Governor outside of</p> <p>5 the presence of legal counsel since he had his</p> <p>6 deposition taken yesterday?</p> <p>7 A. Yes.</p> <p>8 Q. Did you speak about his deposition?</p> <p>9 A. No.</p> <p>10 Q. I'd like to show you a document -- well, are you</p> <p>11 aware of a document that Mr. Orr presented to</p> <p>12 creditors on January 14th, 2013 called --</p> <p>13 MR. WERTHEIMER: June 14th.</p> <p>14 MR. DeCHIARA: Thank you.</p> <p>15 BY MR. DeCHIARA:</p> <p>16 Q. June 14th, 2013 called Proposal for Creditors?</p> <p>17 A. May I see it?</p> <p>18 Q. Yes.</p> <p>19 A. Yes, I am familiar with this document.</p> <p>20 Q. Okay. And did you participate in its preparation?</p> <p>21 A. No.</p> <p>22 Q. Did you comment on it before it was in its final</p> <p>23 form?</p> <p>24 A. No.</p> <p>25 Q. Were you asked to review it before it was made</p>	<p>1 Mr. Orr outside of the presence of legal counsel</p> <p>2 about the proposal after June 14th, 2013?</p> <p>3 A. I attended that meeting and told him I thought he</p> <p>4 did a good job in its presentation.</p> <p>5 Q. By that meeting you mean the June 14th, 2013</p> <p>6 meeting?</p> <p>7 A. Yes.</p> <p>8 Q. Okay. Do you recall Mr. Orr at the June 14th, 2013</p> <p>9 meeting saying words to the effect to the people who</p> <p>10 were in attendance that this was not a negotiation?</p> <p>11 A. No.</p> <p>12 Q. Are you denying he said it or you just don't</p> <p>13 remember if he said it or not?</p> <p>14 A. I don't recall him using those words.</p> <p>15 Q. Okay. Is it true that those in attendance on</p> <p>16 June 14th, 2013 in order to be able to speak had to</p> <p>17 fill out a card and have the card read by someone?</p> <p>18 A. I don't know.</p> <p>19 Q. I'd like to show you a document which I'll mark as</p> <p>20 Exhibit 7.</p> <p>21</p> <p>22 (Deposition Exhibit 7 was marked.)</p> <p>23</p> <p>24 BY MR. DeCHIARA:</p> <p>25 Q. For the record, it's a one-page document stamped at</p>

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<p>1 the bottom SOM 20003601.</p> <p>2 MR. WERTHEIMER: Seven?</p> <p>3 MR. DeCHIARA: Yes.</p> <p>4 BY MR. DeCHIARA:</p> <p>5 Q. Do you recall receiving this email from Mr. Dillon</p> <p>6 on July 18th -- on July 8th, 2013?</p> <p>7 A. Let me just finish reading it.</p> <p>8 Q. Please.</p> <p>9 A. I believe I've seen this before, yes.</p> <p>10 Q. In the first sentence Mr. Dillon refers to the</p> <p>11 Detroit consultants.</p> <p>12 Do you know who he's referring to?</p> <p>13 A. No. I mean, when he says weekly call with the</p> <p>14 Detroit consultants, that generally includes Jones</p> <p>15 Day, Miller Buckfire, Ernst and Young, Conway</p> <p>16 MacKenzie, and at times Milliman.</p> <p>17 Q. In the second paragraph it says "We met with the</p> <p>18 consultants to get briefed on the pension issue this</p> <p>19 afternoon. I invited Baird and Tedder to join."</p> <p>20 Did you join that briefing?</p> <p>21 A. I don't believe so, but I don't recall.</p> <p>22 Q. Next sentence says "Bottom line, the situation is</p> <p>23 not good and the view of the consultants is that</p> <p>24 current pensions have to be cut significantly."</p> <p>25 Did you have any conversations with</p>	<p>1 pensions that are being paid out of the funds need</p> <p>2 to be cut significantly?</p> <p>3 A. I'm not an actuary, and I don't know the answer to</p> <p>4 that question.</p> <p>5 Q. But do you have a view on that question or an</p> <p>6 opinion?</p> <p>7 A. I have an opinion.</p> <p>8 Q. What's your opinion?</p> <p>9 A. My opinion is that underfunded -- significantly</p> <p>10 underfunded pensions are not sustainable long-term</p> <p>11 for current workers or for workers who are more than</p> <p>12 just a few years away from retirement.</p> <p>13 Q. Therefore, is it your view that the Detroit</p> <p>14 pension -- accrued pension liabilities need to be</p> <p>15 reduced?</p> <p>16 A. No. It's my view that there's not enough money for</p> <p>17 the current pension obligations and the future</p> <p>18 pension obligations. It's not my call whether they</p> <p>19 get reduced or not.</p> <p>20 Q. Well, whether it's your call or not, I'm just asking</p> <p>21 do you have a view as to whether or not --</p> <p>22 A. My view --</p> <p>23 MR. ELLSWORTH: I object to the form, and</p> <p>24 he's already answered the question.</p> <p>25 BY MR. DeCHIARA:</p>
Page 62	Page 64
<p>1 Mr. Dillon about that view that current pensions</p> <p>2 have to be cut significantly outside of the presence</p> <p>3 of legal counsel?</p> <p>4 A. I don't recall. I've had -- I have had discussions</p> <p>5 with Andy relative to the funding levels of pensions</p> <p>6 and have had discussions with him about the 13th</p> <p>7 Check, but I do not recall a specific discussion</p> <p>8 around the pensions have to be cut significantly.</p> <p>9 Q. Do you have a view yourself -- or strike that.</p> <p>10 As of the time of this email, July 8th,</p> <p>11 2013, at that period of time did you have a view</p> <p>12 yourself as to whether current pensions had to be</p> <p>13 cut significantly?</p> <p>14 A. My view of what's been reported publicly is that the</p> <p>15 pension funding is not sustainable for the current</p> <p>16 obligations and future obligations.</p> <p>17 Q. What do you mean the pension funding?</p> <p>18 A. The funding level of the pension -- the pension</p> <p>19 funds.</p> <p>20 Q. When you say the funding, do you mean the</p> <p>21 contributions that are being made are not</p> <p>22 sufficient?</p> <p>23 A. That's correct.</p> <p>24 Q. Okay. And have you -- and, therefore, is it your</p> <p>25 view because the funding is insufficient that the</p>	<p>1 Q. Can you answer the question, Mr. Baird?</p> <p>2 Do you have a personal view as to whether</p> <p>3 or not Detroit's accrued pension liabilities need to</p> <p>4 be reduced?</p> <p>5 A. My view is that if the pensions are underfunded that</p> <p>6 there will come a time when the obligations cannot</p> <p>7 be met, and you can't create money out of nothing.</p> <p>8 It's not my place to ascertain where the</p> <p>9 money comes from. It is my place to say to you I</p> <p>10 have an opinion that the current pension funds are</p> <p>11 not sustainable in the current model.</p> <p>12 Q. Okay. But you're aware, are you not, that whether</p> <p>13 or not -- the question of whether or not Detroit's</p> <p>14 pension liabilities should be cut is a matter that's</p> <p>15 been a matter of sharp debate in Detroit over the</p> <p>16 course of the last few months?</p> <p>17 A. I'm aware there's been a lot of debate around this</p> <p>18 issue.</p> <p>19 Q. Okay. And have you ever spoken to the Governor</p> <p>20 outside of the presence of legal counsel about this</p> <p>21 issue, about this debate?</p> <p>22 A. Not that I recall.</p> <p>23 Q. Okay. Have you ever spoken to anyone on the</p> <p>24 Governor's staff outside of legal counsel on this --</p> <p>25 about this debate?</p>

<p style="text-align: right;">Page 65</p> <p>1 A. Not that I recall.</p> <p>2 Q. Same question for Mr. Dillon and Mr. Dillon's staff.</p> <p>3 A. Generally speaking, I know we've had discussions but</p> <p>4 nothing explicit or a course of action forward.</p> <p>5 Q. What's your best recollection of the discussions</p> <p>6 you've had with Mr. Dillon --</p> <p>7 A. Very --</p> <p>8 Q. -- outside of the presence of legal counsel?</p> <p>9 A. Very general discussions around the sustainability</p> <p>10 of the current model and whether it can survive.</p> <p>11 Q. Did Mr. Dillon ever say to you words to the effect</p> <p>12 that he believed that the pension liabilities of the</p> <p>13 City of Detroit need to be reduced?</p> <p>14 A. No, I don't recall him ever saying that. I recall</p> <p>15 him saying that the issues are significant.</p> <p>16 Q. Have you ever spoken to Mr. Orr or his -- anyone on</p> <p>17 his staff outside the presence of legal counsel</p> <p>18 about this subject?</p> <p>19 A. No.</p> <p>20 Q. I'd like to show you a document I'll mark as</p> <p>21 Exhibit 8.</p> <p>22</p> <p>23 (Deposition Exhibit 8 was marked.)</p> <p>24</p> <p>25 MR. SHERWOOD: What's the bates number?</p>	<p style="text-align: right;">Page 67</p> <p>1 some pointed questions if you were interested in</p> <p>2 hearing them."</p> <p>3 I believe the you in there is -- well,</p> <p>4 actually, I don't know who the you in there is. The</p> <p>5 email was sent -- oh, I guess it's addressed to the</p> <p>6 Governor. So I assume the you in that email is the</p> <p>7 Governor.</p> <p>8 But let me nonetheless ask you, Mr. Baird,</p> <p>9 did Mr. Dillon ever share any thoughts he had with</p> <p>10 you outside of the presence of legal counsel</p> <p>11 regarding thoughts he had about issues related to</p> <p>12 Detroit's pension liability other than what you've</p> <p>13 testified to already today?</p> <p>14 A. No, not outside presence of legal counsel.</p> <p>15 Q. I'd like to show you a document I'll mark as</p> <p>16 Exhibit 9.</p> <p>17</p> <p>18 (Deposition Exhibit 9 was marked.)</p> <p>19</p> <p>20 BY MR. DeCHIARA:</p> <p>21 Q. It's a two-page document that's stamped at the</p> <p>22 bottom DTMI 00113909.</p> <p>23 My question on this document, Mr. Baird, is</p> <p>24 simply can you identify this document?</p> <p>25 A. I'm not sure. Some of the content appears familiar,</p>
<p style="text-align: right;">Page 66</p> <p>1 BY MR. DeCHIARA:</p> <p>2 Q. It's a one-page document that's stamped SOM</p> <p>3 20003657.</p> <p>4 A. Okay.</p> <p>5 Q. Do you recall receiving this email from Andy Dillon</p> <p>6 on July 9th, 2013?</p> <p>7 A. No.</p> <p>8 Q. Have you ever seen this email before?</p> <p>9 A. I don't recall seeing this email before. I get</p> <p>10 hundreds of emails every day and I don't look at all</p> <p>11 of them.</p> <p>12 Q. If you look at the second paragraph of the email,</p> <p>13 let me just read it. It says "On Thursday, we</p> <p>14 expect to receive financials that will help us</p> <p>15 better understand the potential negative impact on</p> <p>16 pensions and what options may be available to us to</p> <p>17 avoid them."</p> <p>18 A. Uh-huh.</p> <p>19 Q. Did you ever speak to Mr. Dillon outside of the</p> <p>20 presence of legal counsel about what options might</p> <p>21 be available to avoid the potential negative impact</p> <p>22 on pensions?</p> <p>23 A. No.</p> <p>24 Q. Let me read the last sentence of the email. It says</p> <p>25 "I have some thoughts as to how you could address</p>	<p style="text-align: right;">Page 68</p> <p>1 but this format of the document is not familiar to</p> <p>2 me.</p> <p>3 Q. Okay. So you're not -- can you testify where this</p> <p>4 document came from or what it is?</p> <p>5 A. I couldn't tell you that, no.</p> <p>6 MR. DeCHIARA: I have no further questions.</p> <p>7 Thank you for your time, Mr. Baird.</p> <p>8 THE WITNESS: Thank you.</p> <p>9 MR. WERTHEIMER: I've got a few questions.</p> <p>10 Want to take a break?</p> <p>11 VIDEO TECHNICIAN: Off the record 3:31 p.m.</p> <p>12 (A brief recess was taken.)</p> <p>13 VIDEO TECHNICIAN: We're back on the record</p> <p>14 at 3:46 p.m.</p> <p>15 EXAMINATION</p> <p>16 BY MR. WERTHEIMER:</p> <p>17 Q. Mr. Baird, my name is Bill Wertheimer. I represent</p> <p>18 what we've been calling the Flowers plaintiffs,</p> <p>19 which are a group of Detroit retirees who filed one</p> <p>20 of the lawsuits that preceded the bankruptcy, and</p> <p>21 I'm going to ask you a few questions.</p> <p>22 You testified about a conversation you had</p> <p>23 with Kevyn Orr right around the time that he sent</p> <p>24 the letter to the Governor seeking authorization for</p> <p>25 bankruptcy. Do you recall that?</p>

<p style="text-align: right;">Page 69</p> <p>1 A. I do.</p> <p>2 Q. Did he in any way indicate why he was going to make</p> <p>3 the request at that time?</p> <p>4 A. No. Well, I don't recall that he did.</p> <p>5 Q. Do you recall asking him anything about that, you</p> <p>6 know, why now Kevyn or what's happening or --</p> <p>7 A. No.</p> <p>8 Q. Do you recall whether you were surprised about it;</p> <p>9 that is the timing, not the act?</p> <p>10 Or put another way had you had any kind of</p> <p>11 a warning or anything going on that would lead you</p> <p>12 to think that --</p> <p>13 A. I had seen a communications document that had</p> <p>14 Friday, the -- I don't remember the exact date, but</p> <p>15 Friday, might have been the 19th?</p> <p>16 Q. Right. Friday was the 19th.</p> <p>17 A. Right, Friday the 19th as the date that it appeared</p> <p>18 we'd go forward.</p> <p>19 Q. Had you seen that document before the conversation</p> <p>20 with Orr?</p> <p>21 A. No.</p> <p>22 Q. After?</p> <p>23 A. After.</p> <p>24 Q. Okay. Is the document you saw what was marked at</p> <p>25 the Governor's deposition as Exhibit 6 or something</p>	<p style="text-align: right;">Page 71</p> <p>1 A. I related my conversation with Kevyn to Dennis.</p> <p>2 Q. Can you put a time frame on these conversations?</p> <p>3 Can you tell us approximately when they occurred?</p> <p>4 A. I believe it was after the filing because of all of</p> <p>5 the public consternation around pensions, and I --</p> <p>6 as I testified earlier, I wanted to know what the</p> <p>7 practical impact of any action would be.</p> <p>8 Q. And if I understand it right, the reason you wanted</p> <p>9 to know is that was kind of the germ of an idea for</p> <p>10 maybe some legislation that might be able to at</p> <p>11 least in some way ameliorate the condition or the</p> <p>12 problem?</p> <p>13 A. Correct. I was thinking unilaterally, which I'm</p> <p>14 known to do.</p> <p>15 Q. I understand. Well, you anticipated my next</p> <p>16 question.</p> <p>17 At the point you had these conversations,</p> <p>18 was it your understanding that it was the Governor's</p> <p>19 position that the State was not going to be putting</p> <p>20 any money into Detroit at least as it would relate</p> <p>21 to the retiree issue?</p> <p>22 A. I don't recall if I would know whether that was the</p> <p>23 Governor's position, but I was well aware that the</p> <p>24 legislative appetite for funding to Detroit was</p> <p>25 highly -- was very low.</p>
<p style="text-align: right;">Page 70</p> <p>1 like it?</p> <p>2 A. Yes.</p> <p>3 Q. Okay. And do you remember how you came to see that</p> <p>4 document? Was it emailed to you, were you talking</p> <p>5 to somebody about it?</p> <p>6 A. No, I believe it was emailed to me.</p> <p>7 Q. Do you remember by who?</p> <p>8 A. I don't.</p> <p>9 Q. Do you remember whether you talked to anybody about</p> <p>10 it between its issuance and the actual filing?</p> <p>11 A. Talked about the communications plan?</p> <p>12 Q. Well, broader than the communications plan but just</p> <p>13 the fact that it was going to be -- the bankruptcy</p> <p>14 was going to occur.</p> <p>15 A. No.</p> <p>16 Q. Now, you also testified that you had had</p> <p>17 conversations or a conversation I think you said</p> <p>18 with Orr where you asked him a question about the</p> <p>19 distribution of the income of retirees?</p> <p>20 A. Yes.</p> <p>21 Q. And you also talked to the Governor's is it chief of</p> <p>22 staff, Mr. Muchmore?</p> <p>23 A. Yes.</p> <p>24 Q. About that same issue, not asking a question but</p> <p>25 about --</p>	<p style="text-align: right;">Page 72</p> <p>1 Q. Okay. Okay. Had you had any conversations up to</p> <p>2 that point with the Governor where -- excluding</p> <p>3 conversations with counsel present -- where you</p> <p>4 discussed that fact; that is, we're not going to be</p> <p>5 able to get legislation through to do anything about</p> <p>6 that?</p> <p>7 A. No, not explicitly.</p> <p>8 Q. Implicitly.</p> <p>9 A. Not even implicitly. I don't recall any</p> <p>10 conversations with the Governor talking about a</p> <p>11 strategy where funds would be appropriated for</p> <p>12 Detroit.</p> <p>13 Q. Do you recall as of the point that you made this</p> <p>14 inquiry of Orr and had the conversation with</p> <p>15 Muchmore that the Governor publicly was taking the</p> <p>16 position that although the State might be willing to</p> <p>17 assist relative to services for residents of the</p> <p>18 City, it would not be willing to put money in for</p> <p>19 pensions or anything other than services for the</p> <p>20 City?</p> <p>21 A. I wasn't part of those conversations --</p> <p>22 Q. Okay.</p> <p>23 A. -- if they existed.</p> <p>24 Q. All right. You were shown -- well, it's your</p> <p>25 deposition, Exhibit No. 1. This is the Jones Day --</p>

<p style="text-align: right;">Page 73</p> <p>1 A. Uh-huh.</p> <p>2 Q. -- pitch from January 31st.</p> <p>3 A. Yep. Yep.</p> <p>4 Q. The pages you were shown, and I'm going to show them</p> <p>5 to you again, where there's these ref -- one or more</p> <p>6 references to pensions is in part four of the</p> <p>7 written presentation entitled Components and</p> <p>8 Considerations for Restructuring Plan.</p> <p>9 MR. ELLSWORTH: Do you have a page number,</p> <p>10 Mr. Wertheimer?</p> <p>11 MR. WERTHEIMER: Yeah, that's page 34.</p> <p>12 MR. ELLSWORTH: Thank you.</p> <p>13 MR. WERTHEIMER: Sure.</p> <p>14 BY MR. WERTHEIMER:</p> <p>15 Q. Do you recall who from Jones Day was presenting this</p> <p>16 part of the pitch? And, again, I'm assuming it was</p> <p>17 actually presented to you. This isn't just a</p> <p>18 writing that they handed out.</p> <p>19 A. That's correct.</p> <p>20 Q. Okay. Go ahead, then.</p> <p>21 A. I believe it was Bruce Bennett.</p> <p>22 Q. Did Mr. Orr make any part of the presentation?</p> <p>23 A. He did.</p> <p>24 Q. What part did he make?</p> <p>25 A. His was predominantly a presentation around his</p>	<p style="text-align: right;">Page 75</p> <p>1 A. -- like this.</p> <p>2 Q. I understand. And I think you were -- I had</p> <p>3 misspoke before. You were not shown that page by</p> <p>4 previous counsel.</p> <p>5 You were shown I think if you turn to page</p> <p>6 41 the question referenced it. Again, the bottom</p> <p>7 line, "If needed, Chapter 9 could be used as a means</p> <p>8 to further cut back or compromise accrued financial</p> <p>9 benefits otherwise protected under the Michigan</p> <p>10 Constitution."</p> <p>11 Do you recall that point even in a general</p> <p>12 way being made in the presentation?</p> <p>13 A. This was back in January.</p> <p>14 Q. Right.</p> <p>15 A. And I don't recall the specific point, but every one</p> <p>16 of those firms would have discussed all of the</p> <p>17 various approaches, strategies, options and whatever</p> <p>18 their background and experience had them -- had</p> <p>19 taught them from other municipal situations.</p> <p>20 So generally, it could have been made, but</p> <p>21 I don't recall it.</p> <p>22 Q. All right. Do you recall that by the time all those</p> <p>23 pitches were made that you were of the understanding</p> <p>24 that the lawyers, whether Jones Day or one of the</p> <p>25 other firms, were of the view that Chapter 9 could</p>
<p style="text-align: right;">Page 74</p> <p>1 background, credentials, experience, and his ties to</p> <p>2 Michigan.</p> <p>3 Q. Not as to any of the specific parts unless there's</p> <p>4 some reference to Orr and his background in this</p> <p>5 document?</p> <p>6 A. That's correct.</p> <p>7 Q. Okay. Now, I think if you take a look at page 43, I</p> <p>8 think that's what counsel showed you before, you'll</p> <p>9 see the bottom line literally on page 43 reads</p> <p>10 "Chapter 9 could be used or threatened..." -- I'm</p> <p>11 sorry, let me let you get there.</p> <p>12 A. Okay.</p> <p>13 Q. Take a look at the bottom line. "Chapter 9 could be</p> <p>14 used or threatened as a means to accomplish a</p> <p>15 compromise of benefit cost rejecting or compromising</p> <p>16 claims." Do you see that?</p> <p>17 A. I do see it.</p> <p>18 Q. Do you recall the presentation including that point?</p> <p>19 A. I do not recall that specific point, and I note that</p> <p>20 these are speaker notes which may or may not have</p> <p>21 been articulated.</p> <p>22 Q. Well, that's one of the reasons I'm asking.</p> <p>23 A. Because this is the first time I've seen -- I don't</p> <p>24 have a version --</p> <p>25 Q. In this form. I understand.</p>	<p style="text-align: right;">Page 76</p> <p>1 be used as a means to cut back these Michigan --</p> <p>2 these benefits that are otherwise covered by this</p> <p>3 Michigan constitutional provision?</p> <p>4 A. No, I am not. Not explicitly.</p> <p>5 I do recall discussions around Chapter 9</p> <p>6 but not as it pertains specifically to any Michigan</p> <p>7 Constitution article.</p> <p>8 Q. Do you recall -- and I think the time frame is May,</p> <p>9 I could find it somewhere, but Kevyn Orr was already</p> <p>10 emergency manager, he was interviewed by the Detroit</p> <p>11 Free Press and rather publicly, and in a way that</p> <p>12 ended up getting spread around publicity wise,</p> <p>13 talked about the fact that in a Chapter 9 filing the</p> <p>14 pension rights of retirees could be trumped, was the</p> <p>15 word he used, by federal law.</p> <p>16 Do you recall generally the Emergency</p> <p>17 Manager making that point at around that point in</p> <p>18 time?</p> <p>19 A. I've made it a practice to not read the Detroit</p> <p>20 newspapers these days.</p> <p>21 Q. All right. I'll accept that. Do you recall that at</p> <p>22 least by that point in time you knew that, in fact,</p> <p>23 that Orr was taking that position; that is, that he</p> <p>24 was using Chapter 9 -- I don't want to use</p> <p>25 pejorative terms --</p>

<p style="text-align: right;">Page 77</p> <p>1 A. No.</p> <p>2 Q. -- but that he was using the possibility of a</p> <p>3 Chapter 9 as a way to try and convince people to sit</p> <p>4 down and talk with him --</p> <p>5 A. What I --</p> <p>6 Q. -- particularly retirees?</p> <p>7 A. Right.</p> <p>8 Q. Go ahead.</p> <p>9 MR. ELLSWORTH: Just let him get his</p> <p>10 question out before you answer.</p> <p>11 THE WITNESS: Yeah. No, no, I got it.</p> <p>12 You'll have to ask Kevyn Orr, but were I he, I would</p> <p>13 use every possible means to get people to the table</p> <p>14 before petitioning The Court, and I believe he was</p> <p>15 doing exactly that.</p> <p>16 BY MR. WERTHEIMER:</p> <p>17 Q. Okay, fair enough.</p> <p>18 At the point he filed bankruptcy, do you</p> <p>19 have an understanding as to whether there was any</p> <p>20 way that the City could deal with the problem of</p> <p>21 pensions without going into bankruptcy?</p> <p>22 A. Repeat the question.</p> <p>23 Q. As of let's say the time the bankruptcy was filed,</p> <p>24 as of that time, did you have an understanding that</p> <p>25 bankruptcy was going to be the only way that the</p>	<p style="text-align: right;">Page 79</p> <p>1 the article was there and I said to Kevyn, are you</p> <p>2 aware of this? He said we're aware.</p> <p>3 Q. He didn't go beyond that at all. He didn't suggest</p> <p>4 in any way, shape or form how he intended to deal</p> <p>5 with it?</p> <p>6 A. No, not to me.</p> <p>7 Q. Okay. And do you have a memory as to what triggered</p> <p>8 you to talk to him about it at that point in time</p> <p>9 other than that you had the Constitution in your</p> <p>10 pocket?</p> <p>11 A. No, sir, other than -- you asked about the trigger.</p> <p>12 During the recruitment process, we covered</p> <p>13 a lot of ground, and that ground included all the</p> <p>14 reasons you should do this and all the reasons you</p> <p>15 shouldn't do it. And it was a discussion that took</p> <p>16 place over a few weeks, and I don't recall any</p> <p>17 specific trigger other than an old T square saying</p> <p>18 here are the pros and the cons and the things you</p> <p>19 ought to be thinking about it.</p> <p>20 Q. All right. It's part of you giving him information?</p> <p>21 A. Yes, that's fair.</p> <p>22 Q. That you are hoping will be helpful to him?</p> <p>23 A. That would be a fair characterization.</p> <p>24 MR. WERTHEIMER: Okay. All right. I have</p> <p>25 nothing further. Thank you.</p>
<p style="text-align: right;">Page 78</p> <p>1 City could deal with its pension problem without</p> <p>2 asking for State assistance, State assistance that</p> <p>3 you knew you'd have -- that the Governor would have</p> <p>4 difficulty getting?</p> <p>5 A. I had not contemplated it in terms of the City's</p> <p>6 pension problem. I have contemplated it in terms of</p> <p>7 \$18 billion in liability and bondings that couldn't</p> <p>8 be paid and debt service that it was becoming clear</p> <p>9 to me that in the absence of any negotiated</p> <p>10 agreements with any of the major constituencies that</p> <p>11 bankruptcy was becoming more and more evident with</p> <p>12 each passing month.</p> <p>13 Q. You had mentioned that you had a -- when I say you</p> <p>14 mentioned, you testified in response to earlier</p> <p>15 counsel's questions that you do recall having one</p> <p>16 conversation with Orr about the issue of this</p> <p>17 state constitutional provision that protects</p> <p>18 pensions.</p> <p>19 Do you recall that?</p> <p>20 A. I do.</p> <p>21 Q. Okay. Can you put a time frame on that at all?</p> <p>22 A. It was back during the early interaction with Kevyn.</p> <p>23 I had gotten in the habit of carrying a small</p> <p>24 Constitution with me because I was referring to it</p> <p>25 on a regular basis across many things, and so I knew</p>	<p style="text-align: right;">Page 80</p> <p>1 EXAMINATION</p> <p>2 BY MR. SHERWOOD:</p> <p>3 Q. Good afternoon, Mr. Baird. I'm Jack Sherwood from</p> <p>4 Lowenstein Sandler, and we represent AFSCME in the</p> <p>5 City's bankruptcy. I have a few questions. I'll</p> <p>6 try not to go over ground that's already been</p> <p>7 covered.</p> <p>8 Let me just go back to your engagement by</p> <p>9 the Governor. In reviewing your testimony from the</p> <p>10 prior case, did that start in January 2011?</p> <p>11 A. It did.</p> <p>12 Q. And I think you also testified that the EM selection</p> <p>13 process began in October or November 2012; is that</p> <p>14 right?</p> <p>15 A. I would not characterize it as a selection process,</p> <p>16 but I would characterize it as I began thinking</p> <p>17 about planning for the future in a substantive way</p> <p>18 about that time.</p> <p>19 Q. And I think you said that you were looking for</p> <p>20 sources and candidates. Does that sound right?</p> <p>21 A. Yes. I would through my own network or the network</p> <p>22 of people that I knew and trusted, I would look for</p> <p>23 individuals that had characteristics, and then I</p> <p>24 would talk to them about either their potential for</p> <p>25 a role like this or whether they knew of</p>

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<p>1 individuals.</p> <p>2 So that's what I meant by sources or</p> <p>3 candidates.</p> <p>4 Q. Right. So a source is someone who isn't necessarily</p> <p>5 a candidate but might refer someone, a candidate, to</p> <p>6 you, correct?</p> <p>7 A. They could be both.</p> <p>8 Q. Okay. Was Jones Day or anyone from Jones Day a</p> <p>9 source that you contacted?</p> <p>10 A. Prior to meeting Steve Brogan, no.</p> <p>11 Q. And when did you meet Steve Brogan?</p> <p>12 A. January 29th, it appears.</p> <p>13 Q. So prior to that, no sources from Jones Day. How</p> <p>14 about Miller Buckfire source?</p> <p>15 A. Yes. Ken Buckfire was a source.</p> <p>16 Q. I want to talk a little bit about NERD. We'll use</p> <p>17 that acronym again. They pay your bills, correct?</p> <p>18 A. They pay my fees, yes.</p> <p>19 Q. And that's been the case since January of 2011?</p> <p>20 A. Correct.</p> <p>21 Q. Can you just give me a little more detail on how</p> <p>22 that came about?</p> <p>23 A. Do you have specific questions, because I've</p> <p>24 testified already.</p> <p>25 Q. I -- yeah. I'd like to know how it came about.</p>	<p>1 Q. Would you describe the New Energy to Reinvent and,</p> <p>2 what is it, Diversify?</p> <p>3 A. Yes.</p> <p>4 Q. Would you describe that as an entity that engages in</p> <p>5 lobbying?</p> <p>6 A. No.</p> <p>7 Q. And do you know who manages NERD?</p> <p>8 A. No.</p> <p>9 Q. And you don't know who is on the board? You don't</p> <p>10 know who the officers, directors are --</p> <p>11 A. No.</p> <p>12 Q. -- or trustees?</p> <p>13 A. Nope.</p> <p>14 Q. You just know the name of the person who signs your</p> <p>15 check; is that right?</p> <p>16 A. I do. I know who I submit the invoice to and I know</p> <p>17 who signs the check. Outside of that, I don't know</p> <p>18 anything else.</p> <p>19 Q. You don't know who any of their backers are?</p> <p>20 A. Don't know a single donor.</p> <p>21 Q. Okay. The January 29th meeting -- a couple more</p> <p>22 questions -- was Mr. Buckfire there?</p> <p>23 A. He was.</p> <p>24 Q. And what role did he play in organizing the meeting?</p> <p>25 A. Ken advised Andy, Chris Andrews and Jack Martin, the</p>
Page 82	Page 84
<p>1 A. Okay. My original agreement with Governor Snyder</p> <p>2 was once we pulled the cabinet and his direct</p> <p>3 reports together after he was elected during the</p> <p>4 transition period that I would be returning to my</p> <p>5 home at that time in Illinois.</p> <p>6 On the first day after his inauguration,</p> <p>7 the first working day, he asked me if I would</p> <p>8 consider staying on for a year, and I said I would.</p> <p>9 And he said -- I said but I don't make for a very</p> <p>10 good bureaucrat or government employee, and he said</p> <p>11 if you would make me -- if you would make, you know,</p> <p>12 the team your exclusive client, how much would it</p> <p>13 cost? And I gave him a very cut rate amount, and he</p> <p>14 said we could cover that out of this fund to further</p> <p>15 good government at non-taxpayer expense.</p> <p>16 Q. And would you describe the fund as a lobbyist fund?</p> <p>17 A. A lobbyist?</p> <p>18 Q. Yeah.</p> <p>19 A. What would a lobbyist fund be?</p> <p>20 Q. I don't know. I guess you're --</p> <p>21 A. If you tell me what a lobbyist fund is, I'll tell</p> <p>22 you if I think it's a lobbyist fund.</p> <p>23 Q. Well, is --</p> <p>24 MR. WERTHEIMER: It's not good.</p> <p>25 BY MR. SHERWOOD:</p>	<p>1 City's CFO at the time, on considerations and</p> <p>2 capabilities of firms that specialized in</p> <p>3 restructuring.</p> <p>4 And so he identified the firms that he</p> <p>5 thought had significant expertise in the areas that</p> <p>6 would be of greatest interest to the City, and he</p> <p>7 said these are the firms that we should bring in to</p> <p>8 help you understand how to construct a request for</p> <p>9 proposal to a broader variety of firms.</p> <p>10 Q. Did he devise some type of scoring system for the</p> <p>11 firms at that meeting?</p> <p>12 A. Not that I saw, no.</p> <p>13 Q. How about afterwards?</p> <p>14 A. No. I'm trying to recall, and I don't think I ever</p> <p>15 saw any sort of a scoring mechanism for any of these</p> <p>16 firms.</p> <p>17 Q. Did you have any role in the selection of Jones Day</p> <p>18 as the City's counsel?</p> <p>19 A. I did not.</p> <p>20 Q. Did you express any preference to the City as to who</p> <p>21 should be retained as counsel?</p> <p>22 A. I believe Jack Martin asked my opinion from what I</p> <p>23 thought at that meeting and from my prior experience</p> <p>24 with firms when I was with Price Waterhouse Coopers,</p> <p>25 and I believe that I gave him my opinion at the</p>

<p style="text-align: right;">Page 85</p> <p>1 time.</p> <p>2 And my opinion was that I didn't think he</p> <p>3 would go wrong with several of the firms, but that I</p> <p>4 thought Jones Day by and large had more of the fire</p> <p>5 power in the various areas that the firm -- that the</p> <p>6 City was looking for than the others did.</p> <p>7 Q. During the Jones Day presentation -- hold it. Let</p> <p>8 me step back.</p> <p>9 I think you said something like one of the</p> <p>10 reasons you chose Jones Day was that they have --</p> <p>11 they'd do a better job of keeping Detroit out of</p> <p>12 bankruptcy.</p> <p>13 Do you remember testifying to that?</p> <p>14 A. No, I don't believe I testified to that. I do</p> <p>15 recall what I intended to say if that wasn't it.</p> <p>16 Q. What did you intend to say? Did you think Jones Day</p> <p>17 had offered the City a better chance to stay out of</p> <p>18 Chapter 9?</p> <p>19 A. I don't know that Jones Day as a firm had -- I don't</p> <p>20 have an opinion whether Jones Day as a firm is --</p> <p>21 would help the City stay out of Chapter 9 or not.</p> <p>22 It was my contention that in the</p> <p>23 recommendation of Kevyn Orr as a great candidate for</p> <p>24 the emergency manager, that his background and</p> <p>25 experience would serve as a significant reminder to</p>	<p style="text-align: right;">Page 87</p> <p>1 achieve in practice.</p> <p>2 Do you recall as part of the oral</p> <p>3 presentation someone from Jones Day saying that the</p> <p>4 idea that the City of Detroit is going to avoid</p> <p>5 Chapter 9 is pretty farfetched?</p> <p>6 A. I don't recall anyone saying that the idea was</p> <p>7 farfetched.</p> <p>8 Q. Well, do you recall them using words like that?</p> <p>9 A. No, I don't.</p> <p>10 Q. You don't recall words like extremely difficult, as</p> <p>11 it says on the slide?</p> <p>12 A. Well, I don't recall those words, but I wouldn't</p> <p>13 dispute them.</p> <p>14 Q. Do you recall words like -- do you recall Mr. Orr</p> <p>15 having conversations with you wherein he suggested</p> <p>16 that it would be extremely difficult to achieve an</p> <p>17 out-of-court solution to Detroit's fiscal problems?</p> <p>18 MR. ELLSWORTH: Objection to the extent</p> <p>19 that it would disclose lawyer-client conversations.</p> <p>20 BY MR. SHERWOOD:</p> <p>21 Q. Do you recall any such conversations outside the</p> <p>22 presence of counsel?</p> <p>23 A. Again, which conversations? That achieving success</p> <p>24 out of court is difficult?</p> <p>25 Q. Right.</p>
<p style="text-align: right;">Page 86</p> <p>1 folks that they should negotiate in good faith to</p> <p>2 stay out of the courts because here is a man who</p> <p>3 understood exactly how to navigate the courts.</p> <p>4 Q. But isn't it true that Mr. Orr and Jones Day were of</p> <p>5 the view at all times that it would be extremely</p> <p>6 difficult to keep the City of Detroit out of</p> <p>7 Chapter 9?</p> <p>8 MR. ELLSWORTH: I object to foundation.</p> <p>9 THE WITNESS: I don't know that.</p> <p>10 BY MR. SHERWOOD:</p> <p>11 Q. Can you look at page 13 of the presentation.</p> <p>12 A. Uh-huh.</p> <p>13 Q. And if you look at the end of it, basically you'd</p> <p>14 agree that this slide talks about out-of-court</p> <p>15 solutions being preferred, but the conclusion at the</p> <p>16 end is that they are extremely difficult to achieve</p> <p>17 in practice. Do you see that?</p> <p>18 A. I do see it.</p> <p>19 Q. Did anyone from Jones Day convey this message to the</p> <p>20 group at the meeting on January 29th?</p> <p>21 A. I don't recall explicitly, no.</p> <p>22 Q. And if you look at the next page, page 14, you know</p> <p>23 even for the speaker notes it says an out-of-court</p> <p>24 solution requires consensus or near consensus of</p> <p>25 affected constituencies. This is extremely hard to</p>	<p style="text-align: right;">Page 88</p> <p>1 A. Yes, I do recall those conversations.</p> <p>2 Q. Do you recall those conversations with Mr. Orr</p> <p>3 outside of the presence of counsel, correct?</p> <p>4 A. No, not with Mr. Orr.</p> <p>5 Q. With who?</p> <p>6 A. With the principals at McKenna Long.</p> <p>7 Q. Is that a law firm?</p> <p>8 A. Yes.</p> <p>9 Q. And who do they represent?</p> <p>10 A. We asked them for -- I guess when I say we, Andy</p> <p>11 Dillon asked them for their best rationale on how to</p> <p>12 keep us out of the courts and what the implications,</p> <p>13 you know, of going into the courts were, to educate</p> <p>14 the team on our resolve to stay out of the courts.</p> <p>15 MR. ELLSWORTH: Excuse me. Was that</p> <p>16 another presenter, just to clarify this.</p> <p>17 BY MR. SHERWOOD:</p> <p>18 Q. Was McKenna Long making a presentation?</p> <p>19 A. They were one of the firms in presence at this</p> <p>20 meeting.</p> <p>21 Q. Did they have that conversation with you at that</p> <p>22 meeting or is that something that occurred before or</p> <p>23 after that meeting?</p> <p>24 A. It occurred before.</p> <p>25 Q. How long before?</p>

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<p>1 A. I don't recall.</p> <p>2 Q. And at the time, McKenna Long wasn't retained by the</p> <p>3 City as its counsel?</p> <p>4 A. No, they weren't retained by anyone.</p> <p>5 Q. Okay. What was their view on the prospects for</p> <p>6 keeping the City of Detroit out of Chapter 9, if you</p> <p>7 remember?</p> <p>8 A. I don't think they opined on the prospects.</p> <p>9 Q. What did they opine on?</p> <p>10 A. They opined on all of the benefits associated with</p> <p>11 staying out. They were part of the education</p> <p>12 process for why you should stay out of the courts.</p> <p>13 Q. And but just to be clear, did they opine on the --</p> <p>14 on the likelihood that Detroit would be able to stay</p> <p>15 out of bankruptcy and still resolve its financial</p> <p>16 issues in sort of an out-of-court restructuring?</p> <p>17 A. No.</p> <p>18 Q. They never opined on that?</p> <p>19 A. No.</p> <p>20 Q. Getting back to Jones Day, did you recall them</p> <p>21 making a presentation at the January 28th meeting</p> <p>22 where they stressed the importance of making a</p> <p>23 record of good faith negotiations?</p> <p>24 A. It was the 29th, now that I've been educated.</p> <p>25 Q. Okay. I'm sorry. The 29th meeting.</p>	<p>1 Q. I guess the question is given that, right, did you</p> <p>2 try to broker some type of meeting between Mr. Orr</p> <p>3 and the City Council?</p> <p>4 A. No.</p> <p>5 Q. Why not?</p> <p>6 A. Because I did not think that it was possible.</p> <p>7 Q. There were members of the City Council that</p> <p>8 supported Mr. Orr; were there not?</p> <p>9 A. I don't know.</p> <p>10 Q. And I know that certain members of the City Council</p> <p>11 were very vocal against him or any other emergency</p> <p>12 manager; is that right?</p> <p>13 A. I read the papers, and there were arguments against</p> <p>14 it that came from members of Council that I recall,</p> <p>15 yes.</p> <p>16 Q. Ultimately, were you able to broker a working</p> <p>17 relationship between Mr. Orr and the Mayor?</p> <p>18 A. You'd have to ask Mr. Orr and the Mayor.</p> <p>19 Q. From your perspective, do you think --</p> <p>20 A. I can't opine. I testified that Kevyn Orr thought</p> <p>21 it important to meet the Mayor and to determine if</p> <p>22 they could work together if he were to accept the</p> <p>23 Governor's recommendation. The Mayor indicated the</p> <p>24 same about Kevyn Orr.</p> <p>25 We did the best to articulate a framework</p>
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<p>1 Did they -- at that meeting did they stress</p> <p>2 the importance of making a record of negotiations</p> <p>3 with creditors?</p> <p>4 A. Did Jones Day stress the importance of making a</p> <p>5 record of negotiations?</p> <p>6 Q. Right.</p> <p>7 A. I don't recall that explicitly.</p> <p>8 Q. Now, if we can look at B-5 -- I call it Baird 5.</p> <p>9 Can you get that one, sir? I'm really not asking</p> <p>10 about this document, but it's February of 2013, and</p> <p>11 the email from you to Kevyn Orr on February 20th</p> <p>12 talks about brokering a meeting between Mr. Orr and</p> <p>13 the Mayor.</p> <p>14 Was it important from your perspective to</p> <p>15 broker peace between the Mayor and Mr. Orr?</p> <p>16 A. It was my belief that a good working relationship</p> <p>17 between the two of them would be in the best</p> <p>18 interest of the City.</p> <p>19 Q. What about the City Council? Did you have the same</p> <p>20 view towards the relationship between Mr. Orr and</p> <p>21 the City Council for the City of Detroit?</p> <p>22 A. If your question is do I believe that a good</p> <p>23 relationship between Kevyn Orr and the City Council</p> <p>24 would be in the City's best interest, the answer</p> <p>25 would be yes.</p>	<p>1 under which that working relationship could exist,</p> <p>2 and you'll have to talk to those two men as to how</p> <p>3 successful that arrangement turned out to be.</p> <p>4 Q. Now, in February of 2013, I guess we'll use B-5 just</p> <p>5 for time purposes. I think you testified that there</p> <p>6 was one other candidate that still was sort of in</p> <p>7 the running at that point in time?</p> <p>8 A. There was a candidate that we had agreed -- we</p> <p>9 meaning the Governor and his Chief of Staff and</p> <p>10 Treasurer, that we had agreed had the requisite</p> <p>11 capabilities and had indicated a willingness to do</p> <p>12 the job, but we wished to continue the vetting of</p> <p>13 Kevyn to determine whether he would be a better</p> <p>14 candidate.</p> <p>15 Q. Had you determined at this point that Mr. Orr was</p> <p>16 the top candidate February 2013?</p> <p>17 A. I don't -- I believe I was still doing due diligence</p> <p>18 at this particular time, I think, but I was</p> <p>19 cautiously optimistic that Kevyn might be the better</p> <p>20 candidate.</p> <p>21 Q. And at this time, again, February 20th, 2013, do you</p> <p>22 know whether the Governor shared that view?</p> <p>23 A. I don't recall on the timetable if that were the</p> <p>24 case or not.</p> <p>25 Q. What about Mr. Dillon?</p>

<p style="text-align: right;">Page 93</p> <p>1 A. I think Mr. Dillon, you'd have to ask him as to 2 whether he thought Kevyn was the better of the two 3 candidates. 4 Q. Did Mr. Dillon express to you who he thought was the 5 better of the two candidates? 6 A. At some point after Kevyn had indicated that he 7 could work his way clear of a withdrawal from his 8 firm and that if nominated by the Governor he would 9 be in a position to accept an appointment by the 10 ELB, yes, I think Andy indicated to me at that time 11 that he thought Kevyn was the better of the two 12 candidates. 13 Q. Now, was the other candidate an attorney? 14 A. No. 15 Q. Was the other candidate a man or a woman? 16 A. A man. 17 Q. Was the other candidate local? 18 A. Define local. 19 Q. A Detroit resident? 20 A. No. 21 Q. A surrounding area of Detroit resident? 22 A. I don't -- I won't dance here. I'll tell you he 23 was -- his residence was south but he had been a 24 Detroit resident. 25 Q. Did the person have restructuring experience?</p>	<p style="text-align: right;">Page 95</p> <p>1 City or some other consultants? 2 A. I don't. 3 Q. And he concluded that the situation was not good and 4 that current pensions had to be cut significantly, 5 correct? 6 A. Well, I mean, I'm reading this. It says "Bottom 7 line the situation's not good and the view of the 8 consultants is that current pensions have to be cut 9 significantly." I don't know which consultants he's 10 referring to. 11 Q. Okay. So if you look at -- so at least at some 12 point as of this date certain consultants were 13 telling Mr. Dillon and Governor Snyder that the 14 pensions had to be cut significantly. 15 Can we agree on that? 16 A. I can agree that I'm reading the same line that 17 you're reading. 18 Q. Okay. Let's look at B -- 19 MR. ELLSWORTH: Were you finished with your 20 answer, Rich? 21 THE WITNESS: Yes. 22 MR. SHERWOOD: I'm sorry. 23 BY MR. SHERWOOD: 24 Q. Let's look at the next, Exhibit 8. And this exhibit 25 also deals with the issue of pension liability.</p>
<p style="text-align: right;">Page 94</p> <p>1 A. He did. 2 MR. WERTHEIMER: I'm sorry, did you say he 3 was a Detroit resident? 4 THE WITNESS: He had been a Detroit 5 resident, but he was not at the time that I had 6 discussed with him. 7 MR. WERTHEIMER: I just missed it. Thank 8 you. 9 BY MR. SHERWOOD: 10 Q. I'd like to ask you to look again at Exhibits 7 and 11 8. If you could get those and look at 7 first. 12 You got this email, Exhibit 7; is that 13 correct? 14 A. Yeah, I'm looking at 7. 15 Q. I'm looking at the second paragraph and it appears 16 that Mr. Dillon is reporting to the Governor and 17 others including yourself when he says he "...met 18 with the consultants to get briefed on the pension 19 issue this afternoon", which consultant -- do you 20 know what consultants he's referring to? 21 A. No. I testified earlier that there are weekly 22 consultant meetings, and I gave you the names of who 23 were on those calls but I don't recall who he 24 specifically is referring to here. 25 Q. Do you know if they were the consultants for the</p>	<p style="text-align: right;">Page 96</p> <p>1 Would you agree? 2 A. It would appear so. 3 Q. And in this email Mr. Dillon reports that in 4 Mr. Orr's discussion with the pension, he is not 5 going to translate the underfunded amount into an 6 impact on retirees or employees vested rights. 7 Do you see that? 8 A. I do. 9 Q. When you read this email on July 9th, the day after 10 you got Exhibit 7, did you ask Mr. Dillon or the 11 Governor why Mr. Orr is refusing to send a message 12 on the underfunding amount to the representatives of 13 the pensions? 14 A. I don't recall asking that question, no. 15 Q. Did it appear to you that Mr. Orr was not being 16 candid with the pensions by not reporting the fact 17 that they had to be cut significantly? 18 A. I'm sorry, say that again. 19 Q. Did it occur to you that Mr. Orr might not be being 20 candid with the pensions by not reporting to them 21 the fact that the pensions had to be cut 22 significantly? 23 A. That would be pure speculation on my part. 24 Q. But this situation didn't cause you to make any 25 recommendations to Mr. Dillon or the Governor or</p>

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<p>1 Mr. Orr; is that your testimony?</p> <p>2 A. Yes. I get copied on a lot of emails but I've</p> <p>3 testified that pension liability, pension models are</p> <p>4 frankly outside of my wheelhouse, and that's not my</p> <p>5 area of focus in consulting to the Governor or his</p> <p>6 team.</p> <p>7 Q. You testified that one of the things you did in the</p> <p>8 pensions is look at the practical impact on the</p> <p>9 people losing their pensions.</p> <p>10 Do you remember that testimony?</p> <p>11 A. I testified that I was -- it was desirable for me to</p> <p>12 see what that impact was but that I never received</p> <p>13 the data to actually understand the impact.</p> <p>14 Q. And but you said you talked to the Governor about</p> <p>15 that and I think Mr. Orr and Mr. Dillon and they all</p> <p>16 said that that was a good question.</p> <p>17 Do you recall that testimony?</p> <p>18 A. I don't recall talking to the Governor about that.</p> <p>19 I recall talking to Mr. Orr about that. And I</p> <p>20 recall saying to Andy that I had that conversation</p> <p>21 with Mr. Orr.</p> <p>22 Q. And is it -- am I right -- or tell me why you</p> <p>23 thought that was important.</p> <p>24 A. I'm a curious guy. I don't know what to tell you.</p> <p>25 I thought it was important because I did not</p>	<p>1 what your income is, and whether that income comes</p> <p>2 from a pension or some other form it's your income.</p> <p>3 Q. So you're suggesting that these other government</p> <p>4 programs act as a safety net in lieu of the PBGC for</p> <p>5 lost pension benefits?</p> <p>6 A. No, I think you're suggesting that.</p> <p>7 Q. I'm just trying to understand what you're saying.</p> <p>8 I'm not trying to argue with you. I'm just trying</p> <p>9 to --</p> <p>10 A. What question is it you would like me to answer?</p> <p>11 Q. I'd like to know why -- whether you consider the</p> <p>12 fact -- in your investigation of the practical</p> <p>13 impact on people, were you doing that investigation</p> <p>14 out of concern for the people who were losing or</p> <p>15 stood to lose their pensions because they didn't</p> <p>16 have a safety net? That's what I want to know.</p> <p>17 A. Okay. I am not aware of what safety net does or</p> <p>18 doesn't exist for them currently. I was interested</p> <p>19 in what the practical implications of material</p> <p>20 savings would be against the distribution of those</p> <p>21 receiving pensions.</p> <p>22 And it was the answer to that question that</p> <p>23 led me to ask another question which is whether or</p> <p>24 not there might be an appetite for legislative</p> <p>25 remedy in the absence of safety net.</p>
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<p>1 understand -- this would be the third time I've</p> <p>2 testified to this. I did not understand what the</p> <p>3 distribution of those 20,000 pensioners was and what</p> <p>4 it meant in real dollars and real lives, and that</p> <p>5 was a question that I wanted to know the answer to,</p> <p>6 and so I was looking for the data set to ascertain</p> <p>7 that.</p> <p>8 Q. And the pensioners whose benefits are being cut, you</p> <p>9 understand, do you not, that they don't have a</p> <p>10 safety net like people in private industry do?</p> <p>11 MR. ELLSWORTH: Objection as to the form.</p> <p>12 Go ahead and answer, Rich.</p> <p>13 THE WITNESS: Which pensioners are being</p> <p>14 cut?</p> <p>15 BY MR. SHERWOOD:</p> <p>16 Q. Well, to the extent pensioners are being cut, they</p> <p>17 don't have a safety net like the PBGC, right?</p> <p>18 A. Well, I know that they don't have a PBGC; that's</p> <p>19 correct.</p> <p>20 Q. Are you aware of any other safety net that they</p> <p>21 might have?</p> <p>22 A. I'm only aware of safety nets that exist for all</p> <p>23 citizens once they get below a certain poverty line.</p> <p>24 Q. But they don't relate to their pension, do they?</p> <p>25 A. I believe that certain benefits are contingent upon</p>	<p>1 Is that sufficiently clear?</p> <p>2 Q. Let me read it. And in terms of appetite for</p> <p>3 legislative remedy, your prior testimony was that</p> <p>4 your understanding was that that appetite was very</p> <p>5 low and that's why the inquiries kind of stopped</p> <p>6 there?</p> <p>7 A. My understanding is that the appetite for a large</p> <p>8 scale appropriation to Detroit was pretty low.</p> <p>9 I didn't have an opinion about whether or</p> <p>10 not there was an appetite for incremental safety net</p> <p>11 for impacted pensioners were they to be impacted. I</p> <p>12 was simply asking the question.</p> <p>13 Q. The June 14th meeting, you were at the meeting and I</p> <p>14 think you testified something like that you</p> <p>15 indicated that you thought Mr. Orr did a good job</p> <p>16 presenting the June 14th proposal.</p> <p>17 Do you remember that topic?</p> <p>18 A. Yes, I do.</p> <p>19 Q. Do you know whether at that meeting Mr. Orr or</p> <p>20 anyone on behalf of the City of Detroit requested</p> <p>21 that the parties there provide counterproposals to</p> <p>22 the proposal that was being made on June 14th?</p> <p>23 A. I don't recall the term counterproposal, but I do</p> <p>24 recall an invitation being put out to the group that</p> <p>25 says once you've digested this financial information</p>

<p style="text-align: right;">Page 101</p> <p>1 and you understand the wherewithal what exists, to 2 the extent that you want to sit down and negotiate 3 in good faith now is not the time to do that, but 4 there will be that time and here's the information 5 that you need in order to interact intelligibly. 6 I do recall that. 7 Q. And that meeting was approximately a month before 8 the bankruptcy filing. 9 Were there follow-up -- were you present at 10 any follow-up meetings after the June 14th meeting? 11 A. With creditors? 12 Q. Right. 13 A. No. 14 Q. Did anyone report to you on the status of follow-up 15 meetings with creditors that occurred after the 16 June 14th meeting? 17 A. With counsel, yes. 18 Q. What about without counsel? 19 A. Not that I recall. 20 Q. And what was said? 21 MR. ELLSWORTH: Well, I -- I object to the 22 extent that would call for disclosure of 23 lawyer-client conversations. 24 I think Mr. Baird said that the 25 conversations that he had were with counsel present.</p>	<p style="text-align: right;">Page 103</p> <p>1 MR. ELLSWORTH: It was -- 2 THE WITNESS: This was not a one-on-one. 3 MR. ELLSWORTH: Was counsel present? 4 THE WITNESS: Yes. 5 MR. ELLSWORTH: I object, and I'm 6 instructing him not to answer. 7 BY MR. SHERWOOD: 8 Q. Were you involved in any negotiations or did anyone 9 report to you on negotiations with the bondholder 10 creditors of the City of Detroit? 11 MR. ELLSWORTH: Again, to the extent that 12 would require a disclosure of lawyer-client 13 privileged conversations, I object. 14 MR. SHERWOOD: I just want a yes or no. I 15 mean, I don't want the content. 16 MR. ELLSWORTH: That's fine. 17 THE WITNESS: Updates of those discussions 18 were provided with counsel present. 19 BY MR. SHERWOOD: 20 Q. And none of that happened outside the presence of 21 counsel? 22 A. No. 23 Q. During your discussions with Mr. Orr prior to his 24 appointment, did he ever say to you that the 25 appointment of an emergency manager and the filing</p>
<p style="text-align: right;">Page 102</p> <p>1 He can clarify if I heard that wrong. 2 THE WITNESS: No, that's correct. Counsel 3 was present. 4 BY MR. SHERWOOD: 5 Q. But counsel was -- was counsel reporting back on how 6 the negotiations were going with the creditor 7 groups? 8 A. No. 9 Q. Who was making that report? 10 A. Kevyn Orr. 11 Q. What did he say? 12 MR. ELLSWORTH: Well, I object again. If 13 counsel was present during that discussion then 14 that's subject to the attorney-client privilege and 15 I object. 16 MR. SHERWOOD: Are you instructing him not 17 to answer -- 18 MR. ELLSWORTH: Yes. 19 MR. SHERWOOD: -- a conversation between 20 Mr. Orr and him -- 21 MR. ELLSWORTH: If it was a one-on-one 22 conversation. 23 MR. SHERWOOD: -- reporting on what 24 happened at negotiations with creditors? I just 25 want to make sure.</p>	<p style="text-align: right;">Page 104</p> <p>1 of a Chapter 9 provides political cover for the 2 Governor and/or the Mayor in regard to the process 3 of making the tough decisions that face the City of 4 Detroit in the context of the restructuring? 5 A. He never said that to me. 6 Q. Did anyone ever say that in your presence? 7 A. Say it, no. 8 Q. Write it? 9 A. I saw an email where it was written, so I know that 10 somebody said it. 11 Q. Okay. I think I might have a copy of that email. 12 Maybe I'll show it to you. Let's look at this one. 13 14 (Deposition Exhibit 10 was marked.) 15 16 BY MR. SHERWOOD: 17 Q. We've marked this as Baird 10. You haven't seen it 18 yet though, huh? 19 A. Okay. Is this one where I need to start at the 20 bottom and read it through? This doesn't look like 21 any that I've ever seen before. 22 Q. Yeah, it's really just two pages. If you start on 23 the second page -- actually, you are referred to in 24 this, so why don't we take a second to go through 25 this and start with the --</p>

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<p>1 MR. ELLSWORTH: Rich, do you need a chance 2 to read it? 3 THE WITNESS: Yeah, I need to read this. 4 BY MR. SHERWOOD: 5 Q. Okay. Tell me when you're done. 6 A. Okay, I've completed reading it. 7 Q. Let's start with the email on page 301, which is the 8 second page. And Corinne Ball is talking to Kevyn, 9 and she talks about the Bloomberg Foundation and 10 whether we should talk to you, Mr. Baird, about 11 financial support for the project and the EM. And 12 then she refers to Harry Wilson from the Auto Task 13 Force told me about the Foundation and its interest. 14 I can ask Harry for contact info. This kind of 15 support in ways nationalizes the issue and the 16 project. Do you see that? 17 A. I do. 18 Q. Do you know whether the Bloomberg Foundation and 19 Harry Wilson, whether they were ever brought to your 20 attention by anyone at Jones Day? 21 A. They were not. 22 Q. So this is the first you're hearing of this? 23 A. No. I've seen not this entire string of email, but 24 I have seen -- from some emails that were provided 25 in discovery to me, I've seen this, the 1-31-13</p>	<p>1 tenure as emergency manager? 2 A. I'm not sure I would use the term unqualified 3 support, but I certainly would testify that he 4 believed that support from the Governor for the 5 undertaking at hand was going to be an important 6 consideration. 7 Q. Did he say why that was important? 8 A. Yes, he did. That he recognized that this was going 9 to be a thankless job, a job where he would probably 10 be vilified and called a traitor to his race and to 11 his Democrat background, and that it would require a 12 great deal of resolve to overcome the difficulties 13 of the past decades that have gotten Detroit to 14 where it is today. 15 Q. Did he also seek the support of the Financial 16 Advisory Board? 17 A. At the -- well, yes, but not during the recruitment 18 process. 19 Q. When did he make the request that the Financial 20 Advisory Board should provide him with support and 21 oversight? 22 A. You'd have to -- 23 Q. If he ever did. 24 A. Well, I have heard from members of the Financial 25 Advisory Board that he has made those overtures, but</p>
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<p>1 8:10 a.m., and I have seen all the way up through 2 the 1-31 11:01 a.m. from Kevyn Orr to Dan Moss, but 3 I have not seen this last piece which is from 4 Dan Moss to Kevyn Orr. 5 Q. And by this last piece, you're referring to really 6 the top of the email string, correct? 7 A. The top of the email string, right. The most recent 8 string of this. 9 Q. So as of January 31st, 2013, do you know who 10 Dan Moss is? 11 A. I believe -- I don't know exactly who he is, but I 12 know he's a colleague of Kevyn Orr's at Jones Day. 13 That's all I know. I've heard the name. 14 Q. As of January 31st, 2013, did Mr. Orr suggest to you 15 that Chapter 9 would be the best solution for the 16 City of Detroit for political reasons? 17 A. No, he did not. 18 Q. Did he suggest to you that Chapter 9 would not be an 19 alternative as of January 31st, 2013? 20 A. I don't believe he placed any priority of any sort 21 on Chapter 9 to me in any conversation or 22 communication. 23 Q. During the course of your discussions with Mr. Orr, 24 did he emphasize the need to have the unqualified 25 support from the Governor during the -- during his</p>	<p>1 you'd have to ask him as to when and context. 2 Q. But he never had any discussions with you about 3 whether it would be beneficial to get support from 4 the Financial Advisory Board and how he was going to 5 go about that? 6 A. In general, Counselor, I think he -- we had a lot of 7 discussions about he was going to need all the 8 support he could get from every corner he could get 9 it from including the FAB and City Council. 10 Q. All right. Can I have one second? I think I'm done 11 but I don't want to close the record until I'm sure. 12 I just need one second. 13 (A pause was had in the proceedings) 14 MR. SHERWOOD: All right. I think that's 15 all. Thank you. I appreciate it. 16 THE WITNESS: Okay. Thank you. 17 MR. ELLSWORTH: Anybody else? 18 VIDEO TECHNICIAN: Deposition's concluded 19 at 4:49 p.m. 20 (Deposition concluded at 4:49 p.m.) 21 - - - 22 23 24 25</p>

1 CERTIFICATE

2 STATE OF MICHIGAN)
3 COUNTY OF OAKLAND) SS:

4

5 I, LAUREL A. JACOBY, Certified Shorthand
6 reporter, a Notary Public, hereby certify that I recorded
7 in shorthand the examination of RICHARD BAIRD, the
8 deponent in the foregoing deposition; and that prior to
9 the taking of said deposition the deponent was first duly
10 sworn, and that the foregoing is a true, correct and
11 complete transcript of the testimony of said deponent.

12 I further certify that no request was made for
13 submission of the transcript to the deponent for reading
14 and signature and that no such submission was made.

15 I also certify that I am not a relative or
16 employee of a party or an attorney for a party; or
17 financially interested in the action.

18

19

20 LAUREL A. JACOBY, CSR-5059, RPR

21

22 Notary Public, Oakland County, Michigan

23 My commission expires: 9/1/18

24 Dated: This 13th day of October, 2013.

25

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EXHIBIT B

In Re: City of Detroit, Debtor

*Treasurer Andrew Dillon
October 10, 2013*

*Moretti Group
471 W. South Street
Suite 41B
Kalamazoo, MI 49007
800-536-0804*



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1 UNITED STATES BANKRUPTCY COURT
2 FOR THE EASTERN DISTRICT OF MICHIGAN
3 SOUTHERN DIVISION - DETROIT
4 -----
5 In re: Chapter 9
6 CITY OF DETROIT, MICHIGAN, Case No. 13-53846
7 Debtor, Hon. Steven W. Rhodes
8 -----
9 V I D E O T A P E D D E P O S I T I O N O F
10
11 WITNESS: TREASURER ANDREW DILLON
12 LOCATION: The Treasury Building
13 430 West Allegan
14 Lansing, Michigan 48909
15
16 DATE: Thursday, October 10, 2013
17 9:17 a.m.
18
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<p>1 EXHIBIT INDEX</p> <p>2 EXHIBIT NO. DESCRIPTION PAGE NO.</p> <p>3 Exhibit 6 March 1-2, 2012 email chain</p> <p>4 Subject: Consent Agreement</p> <p>5 (Bates Nos. DTMI 00234878-870) 112</p> <p>6 Exhibit 7 March 3, 2012 email Re: Detroit-</p> <p>7 Email list for status updates</p> <p>8 (Bates No. DTMI 00234877) 112</p> <p>9 Exhibit 8 March 22, 2013 email</p> <p>10 Subject: Detroit pension info</p> <p>11 (Bates Nos. SOM 20009920-921) 116</p> <p>12 Exhibit 9 June 11, 2013 email</p> <p>13 Subject: Professional fees</p> <p>14 (Bates Nos. DTMI 00234907-08) 118</p> <p>15</p> <p>16</p> <p>17 (Exhibits attached to transcript.)</p> <p>18 - - -</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 purposes of the record we're marking this as</p> <p>2 Governor's Exhibit 11. It is the email that was</p> <p>3 discussed and is now being produced that was the</p> <p>4 transmission of the July 18th letter from the</p> <p>5 Governor's office to Kevyn Orr at 3:47 p.m.</p> <p>6 And I would also note on the record that</p> <p>7 the 7-18 letter was attached to the filing that was</p> <p>8 made with the petition. I believe the time stamp</p> <p>9 for The Court was 4:06 p.m. for that as well.</p> <p>10 - - -</p> <p>11 VIDEO TECHNICIAN: Today's date is October</p> <p>12 the 10th, 2013 and we're on the record at 9:20 a.m.</p> <p>13 This is the video deposition of Treasurer</p> <p>14 Andrew Dillon. We're at the Treasury Building,</p> <p>15 430 West Allegan in Lansing, Michigan.</p> <p>16 Can the Secretary be sworn, please.</p> <p>17 - - -</p> <p>18 -TREASURER ANDREW DILLON-</p> <p>19 called as a witness, being first duly sworn, was</p> <p>20 examined and testified as follows:</p> <p>21 EXAMINATION</p> <p>22 BY MR. SHERWOOD:</p> <p>23 Q. Treasurer Dillon, good morning. My name is</p> <p>24 Jack Sherwood from Lowenstein Sandler, and we</p> <p>25 represent AFSCME in the Detroit bankruptcy case.</p>
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<p>1 October 10, 2013</p> <p>2 Lansing, Michigan</p> <p>3 9:17 a.m.</p> <p>4 - - -</p> <p>5 MS. NELSON: This is for purposes of the</p> <p>6 record of the Governor's deposition that was taken</p> <p>7 on October 9th.</p> <p>8 There was a request at the conclusion of</p> <p>9 the Governor's dep for the production of an email</p> <p>10 which is the transmission email from the Governor's</p> <p>11 office to Kevyn Orr of what was marked as Governor's</p> <p>12 Exhibit 2, which was his July 18th, 2013 letter</p> <p>13 authorizing the filing of the bankruptcy.</p> <p>14 I have produced this email and provided it</p> <p>15 to all counsel that are present today and we have</p> <p>16 agreed to mark it as Governor's Exhibit 11. The</p> <p>17 email is dated Thursday, July 18th, 2013. It was</p> <p>18 transmitted at 3:47 p.m., and the subject is high</p> <p>19 priority, and the attachment which is identified as</p> <p>20 2013 0718 155044034 dot pdf is identical to the</p> <p>21 attachment identified in Governor's Exhibit 10 that</p> <p>22 was marked at the deposition yesterday.</p> <p>23 And the subject matter I would point out</p> <p>24 between Governor's Exhibit 11 and Governor's Exhibit</p> <p>25 10 is also identical, high priority. So for</p>	<p>1 Thanks for being here today.</p> <p>2 Have you ever been deposed before?</p> <p>3 A. I believe so.</p> <p>4 Q. Okay. On how many occasions?</p> <p>5 A. A couple probably.</p> <p>6 Q. Okay. Let me just give you some of the ground rules</p> <p>7 as a reminder.</p> <p>8 My questions and your answers will be taken</p> <p>9 down by the court reporter and videotaped. You're</p> <p>10 under oath so it's like you're testifying in court.</p> <p>11 Do you understand that?</p> <p>12 A. Yes.</p> <p>13 Q. And to the extent that you can wait for me to ask a</p> <p>14 full question before answering, that would be good,</p> <p>15 make it easier for the court reporter.</p> <p>16 Your attorney might object from time to</p> <p>17 time, and to the extent that she does, obviously,</p> <p>18 you'll take your advice from her.</p> <p>19 If you don't know the answer to a question</p> <p>20 or you don't understand a question, please let me</p> <p>21 know, and I'll try to clear it up for you.</p> <p>22 Do you understand those --</p> <p>23 A. Yes.</p> <p>24 Q. -- instructions?</p> <p>25 Is there any reason why you can't testify</p>

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<p>1 truthfully today?</p> <p>2 A. No.</p> <p>3 Q. And are you taking any medications or suffering from</p> <p>4 any illnesses or under the care of a doctor --</p> <p>5 A. No.</p> <p>6 Q. -- for any medical condition at this time?</p> <p>7 A. No.</p> <p>8 Q. Okay. Can you just briefly -- you are the Treasurer</p> <p>9 of the State of Michigan; is that right?</p> <p>10 A. Yes.</p> <p>11 Q. And can you -- how long have you held this post?</p> <p>12 A. Since January 1 of '11.</p> <p>13 Q. And what did you do before that? Just give me, you</p> <p>14 know, your previous work history before that.</p> <p>15 A. I served in the Michigan Legislature for six years,</p> <p>16 the last four as the Speaker of the House.</p> <p>17 Q. And prior to that?</p> <p>18 A. I worked for a private equity fund based out of</p> <p>19 Chicago.</p> <p>20 Q. What was the name of that firm?</p> <p>21 A. Wynnchurch Capital.</p> <p>22 Q. For how long were you at Wynnchurch?</p> <p>23 A. Three years.</p> <p>24 Q. And what three years were those? Was it like --</p> <p>25 A. '01 to '04.</p>	<p>1 Q. And how did that come to pass?</p> <p>2 A. Got a phone call in the fall of 2010, I believe it</p> <p>3 was, and they asked if I would consider the</p> <p>4 position. Initially, I respectfully declined</p> <p>5 because I was ready to go back to the private</p> <p>6 sector. And I reconsidered about two weeks later,</p> <p>7 called back and said if you haven't filled it, I'll</p> <p>8 do it.</p> <p>9 Q. What was it about the job that excited you?</p> <p>10 A. I was having lunch with a friend of mine. He just</p> <p>11 said, hey, it's a great opportunity, why would you</p> <p>12 say no to that.</p> <p>13 And even though I had spent six years in</p> <p>14 Lansing, I didn't fully appreciate the role of the</p> <p>15 Treasurer for the State, and it's a fascinating job</p> <p>16 and fascinating time to have it.</p> <p>17 Q. When you say a fascinating time, what do you mean?</p> <p>18 Is it because of economic challenges facing</p> <p>19 Michigan?</p> <p>20 A. Local units primarily, yes.</p> <p>21 Q. Things like school boards and cities and the like?</p> <p>22 A. Right.</p> <p>23 Q. Did you have, going into the job, discussions with</p> <p>24 Governor Snyder about your view of the financial</p> <p>25 situations that existed in the local government</p>
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<p>1 Q. And what was your position there?</p> <p>2 A. I was a managing partner. I found opportunities for</p> <p>3 them to buy -- companies to buy.</p> <p>4 Q. And did Wynnchurch specialize in any type of</p> <p>5 industry or financial products?</p> <p>6 A. Middle market companies based in the midwest or</p> <p>7 Canada was the focus.</p> <p>8 Q. And how long have you known Governor Snyder?</p> <p>9 A. I met him for the first time when I was in the</p> <p>10 Legislature, and it was just a brief meeting. I</p> <p>11 drove to Ann Arbor to meet him because Governor</p> <p>12 Granholm at the time had announced the 21st Century</p> <p>13 Jobs Fund plan, and I had a private equity</p> <p>14 background but not a venture capital background, and</p> <p>15 his name came to me as someone who understood</p> <p>16 venture capital.</p> <p>17 So I asked for a meeting, drove to Ann</p> <p>18 Arbor. We met for half hour to an hour, and I</p> <p>19 incorporated his thoughts and ideas into the 21st</p> <p>20 Century Jobs plan. And I didn't see him after that</p> <p>21 until he was running for Governor.</p> <p>22 Q. And when was that about?</p> <p>23 A. Probably 2010.</p> <p>24 Q. Did he appoint you as the Treasurer of the State?</p> <p>25 A. Yes.</p>	<p>1 units here in the State of Michigan?</p> <p>2 A. I don't recall. There may have been some high-level</p> <p>3 discussions in December '10 where we understood that</p> <p>4 there could be a lot of troubled cities and school</p> <p>5 districts in the cue, so it was on our radar before</p> <p>6 we started but nothing about my philosophy, what I</p> <p>7 would do in this role.</p> <p>8 Q. Okay. So when you say high-level discussions, can</p> <p>9 you tell me what you recall specifically about the</p> <p>10 high -- or even generally about the high-level</p> <p>11 discussions?</p> <p>12 A. We understood that we would be inheriting some</p> <p>13 financial crises throughout the state and we thought</p> <p>14 there was more to come and -- but we never got into,</p> <p>15 you know, he didn't grill me about what's my</p> <p>16 philosophy and how would I approach, you know, the</p> <p>17 challenges that would come our way.</p> <p>18 Q. Did you have any relevant experience in your career</p> <p>19 as a Legislator or Speaker of the House or in your</p> <p>20 private career that you thought you could bring to</p> <p>21 bear to address the financial issues facing the</p> <p>22 local units of government here in the State?</p> <p>23 A. A little bit. I have an accounting and a law</p> <p>24 degree, but I had three jobs that translated some</p> <p>25 relevance. I'd spent three years with GE Capital.</p>

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<p>1 We tended to -- they were called the lender of last 2 resort, so we financed tough credits typically. 3 From there I went to a bankrupt steel mill 4 and helped the owner try to restart that mill, so 5 that was kind of hands-on operational restructuring. 6 And then a lot of the companies we chased 7 at Wynnchurch would either be growth companies or 8 turnarounds, so I would say there was a nine-year 9 window there where I had some experience in the area 10 of turnarounds. 11 Q. What did you do to prepare for your deposition 12 today? 13 A. About a month ago I had a meeting. A couple of 14 Attorney Generals came to -- we didn't know if this 15 deposition was even going to happen because I don't 16 think the judge had ruled yet. And then last week I 17 had a meeting to prepare, and I think that meeting 18 lasted about two hours. 19 Q. Who was in that meeting? 20 A. My friend here to my right and -- 21 MR. SCHNEIDER: Matthew Schneider. 22 THE WITNESS: And we have one other. 23 MS. NELSON: Oh, Mark Donnelly, just to 24 refresh his memory. 25 BY MR. SHERWOOD:</p>	<p>1 A. PA 72 is before my time. I believe it was 1990 give 2 or take. 3 PA 4, we started talking about it during 4 the transition period. We understood that PA 72 had 5 some limitations. So there was a few folks during 6 the transition that started looking at what you 7 could do to Public Act 72 to improve it, make it a 8 better tool for the State. 9 So my involvement was on the front end at 10 high level, thematic direction of what would later 11 become -- 12 MR. WERTHEIMER: I'm sorry, high level 13 what? 14 THE WITNESS: Thematic. But in terms of 15 specific language or, you know, getting under the 16 hood of the actual words that were being 17 incorporated into the bills, I had very limited if 18 any role. 19 BY MR. SHERWOOD: 20 Q. So is it fair to say that PA 4 was passed at the 21 initiative of Governor Snyder? 22 A. I don't know the mechanics, but I would say -- I 23 mean, we obviously at the administration level were 24 focused on it and we had ideas about it in terms of 25 who -- typically what happens is if the</p>
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<p>1 Q. So it was Mark Dowling? Who's he with? 2 MS. NELSON: Mark Donnelly. 3 MR. SHERWOOD: I'm sorry. 4 MS. NELSON: Assistant Attorney General. 5 BY MR. SHERWOOD: 6 Q. Sorry. Who else? 7 A. Just the three and myself. 8 Q. Matthew Schneider is with who? 9 A. The Attorney Generals' office. We had a brief 10 meeting this morning at 8:30. 11 Q. Same crew? 12 A. Just the two this morning. 13 Q. I'd like to start talking a little bit about some of 14 the legislation, the State legislation. 15 Do you know what PA 4 is, correct? 16 A. Yes. 17 Q. And my understanding is that was signed into law in 18 March of 2011; is that right? 19 A. I don't recall the specific date but, generally 20 speaking, I think that's pretty close. 21 Q. And PA 4, the predecessor to PA 4 was a statute that 22 people call PA 72; is that right? 23 A. Right. 24 Q. Can you just generally describe your role in the 25 drafting or passage of either of those statutes?</p>	<p>1 administration wants a law passed they'll work with 2 the Legislature and find a sponsor, and I wasn't 3 part of that but I assume that probably happened 4 here. 5 Q. And is it fair to say that PA 4 was promoted by the 6 Governor to the Legislature? 7 A. I believe so. 8 Q. Okay. And you talked about PA 4 containing 9 improvements. 10 What was it about PA 72 that needed to be 11 improved? 12 A. Well, what we found is -- typically for a 13 governmental unit 75 give or take percent of your 14 costs are wages and benefits which leaves you -- if 15 you have a unit that might have a three-year 16 collectively bargained agreement in place, that 17 takes 75 percent of the ability to reduce expenses 18 off the table. It leaves you 25 percent of the 19 remaining spent. Typically, in government it's very 20 difficult to increase the revenue side of the 21 equation. 22 So that would be the major theme -- 23 thematic difference I think from 72 to Public Act 4. 24 Q. So let me make sure I'm hearing you right. Was 25 there something about PA 4 that enabled the State to</p>

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<p>1 deal with wage and benefit issues that presented 2 themselves to these local government units? 3 A. Yeah. And I would add also it enabled us to get in 4 earlier because typically if you can get into a 5 situation earlier you might be able to avoid more 6 Draconian or drastic measures that have to be 7 implemented. 8 So I'd say the primary goal of Public Act 4 9 was to allow the State to have an earlier road in 10 the crisis that a particular school district or 11 city's encountering. And then in the law we spent a 12 lot of time on this issue about, you know, the 13 constitutionality of can you modify a CBA. And by 14 the word CBA, I use collectively bargained 15 agreement. 16 But the thought was that we have two 17 conflicting constitutional provisions here. One is 18 the prohibition against impairing of contracts and 19 then the other is the duty of the State to provide 20 for the public health, safety and welfare. So those 21 are your competing constitutional provisions, as I 22 understand it. 23 And where we came out on that, to my 24 memory, is that -- that if you temporarily modify. 25 So the thought wasn't that you just blow up a</p>	<p>1 well which was my memory is that under schools, an 2 EFM could pursue a Chapter 9 without the Governor's 3 consent but not for a city. 4 Q. I'm sorry, I just want to make sure the record's 5 clear. I'm reading it here. 6 Did PA 4 allow a school board to file 7 Chapter 9 without the Governor's consent? 8 A. I don't believe -- well, again, I'd like to look at 9 PA 72 but my memory was -- 10 MS. NELSON: He's speaking about PA 4. 11 THE WITNESS: Oh, PA 4. 12 MS. NELSON: His question was to PA 4. 13 THE WITNESS: No, under PA 4 both cities 14 and school districts require the Governor's approval 15 for a filing. 16 BY MR. SHERWOOD: 17 Q. Okay. Now, I assume you're aware that PA 4 during 18 2011 and 2012 was heavily criticized by certain 19 members of the population here in Michigan, correct? 20 A. I recall some of that. 21 Q. And it was referred to as a dictatorship law, 22 undemocratic, emergency managers don't answer to the 23 public. Does that sound familiar to you? 24 A. I have a recollection of that, yes. 25 Q. And, actually, some of that criticism was directed</p>
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<p>1 contract or you permanently change the terms of the 2 contract, but in order to deal with the crisis to 3 protect the public health, safety and welfare, the 4 thought was that the State has the ability to 5 temporarily modify until the crisis or the emergency 6 is over. 7 To me that's the two primary differences 8 between PA 72 and PA 4. 9 Q. And how is it that PA 4 specifically gave the State 10 more power to address those issues? 11 A. On the front end I'd have to review PA 72 and 12 compare it to PA 4 before I would feel comfortable 13 answering that, but PA 72 did not have a provision 14 that allowed for a temporary modification of the 15 CBA. 16 Q. Did PA 72 have a provision for the appointment of an 17 emergency manager? 18 A. Yes. 19 Q. And PA 4 retained that? 20 A. Right. And they had two different terms. I think 21 under 72 it was emergency financial manager, an EFM. 22 Q. Right. 23 A. Under PA 4 it was changed to just an emergency 24 manager. 25 There's another big difference I guess as</p>	<p>1 at you, correct? 2 A. Correct. 3 Q. And certainly Governor Snyder as well. 4 Do you think that that was fair criticism? 5 A. I think it's just a harsh reality that when you have 6 a -- whether it be a school district or a city in a 7 severe financial crisis that you've got to have 8 someone that can make decisions. And often times 9 what you'll find is the governance more in cities 10 maybe than school districts is -- makes it very 11 difficult to navigate through a financial crisis. 12 So I understand the criticism but the stark 13 reality is that it's the best path that I'm aware of 14 to solve a financial crisis. 15 Q. Now, PA 4 was submitted for a referendum in November 16 of 2012; is that right? 17 A. I believe so, yeah. 18 Q. And did you take a position with respect to the 19 proposed referendum with respect to PA 4? 20 MS. NELSON: Are you speaking in his 21 official capacity as Treasurer or in his personal, 22 because his personal capacity is privileged. 23 I assume you're speaking in his official 24 capacity as Treasurer did he take a position? 25 MR. SHERWOOD: I never heard of a personal</p>

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<p>1 capacity of privilege.</p> <p>2 MS. NELSON: It's right to vote, his right</p> <p>3 to vote.</p> <p>4 MR. SHERWOOD: Okay.</p> <p>5 BY MR. SHERWOOD:</p> <p>6 Q. In your capacity as Treasurer.</p> <p>7 A. I don't recall. I do recall that there was six</p> <p>8 measures on the ballot and there was really no one</p> <p>9 out there advocating in favor of preserving the law,</p> <p>10 Public Act 4, but I don't recall if we ever issued a</p> <p>11 statement from the Treasurer's Office defending</p> <p>12 Public Act 4.</p> <p>13 Q. Did you have any conversations with the Governor</p> <p>14 about this proposed referendum with respect to PA 4?</p> <p>15 A. I think we had a few, and I think there was, as I</p> <p>16 said, six measures and some were deemed -- you know,</p> <p>17 you can't fight a six-front battle, right, so I</p> <p>18 think we all thought PA 4 was a necessary law and we</p> <p>19 hoped it would be preserved.</p> <p>20 But there was other measures on the ballot,</p> <p>21 and often times the electorate only has so much</p> <p>22 attention span, so I think we weren't out there</p> <p>23 putting a full court press on to preserve the law.</p> <p>24 Q. Why did you think -- or when you say we, are you</p> <p>25 talking about, you the Treasurer, and the Governor?</p>	<p>1 don't specifically recall saying that.</p> <p>2 Q. Tell me what is it about the municipal market that</p> <p>3 PA 4 helped.</p> <p>4 A. Can you restate that?</p> <p>5 Q. What is it -- how does PA 4 help a city or a school</p> <p>6 board or a city like the state of Detroit deal with</p> <p>7 the municipal market?</p> <p>8 A. Can you read my statement again one more time?</p> <p>9 Q. It says that "Criticism of PA 4 reflects a lack of</p> <p>10 understanding of the municipal market."</p> <p>11 Actually, I have a copy of it if that will</p> <p>12 help.</p> <p>13 A. That's fine. I think if you can go in and address</p> <p>14 issues you're going to make that particular unit</p> <p>15 more financially stable, and thus you'll have a</p> <p>16 healthier community that can provide services and</p> <p>17 pay its obligations.</p> <p>18 Q. I guess we can mark this as Exhibit 1.</p> <p>19</p> <p>20 (Deposition Exhibit 1 was marked.)</p> <p>21</p> <p>22 BY MR. SHERWOOD:</p> <p>23 Q. Sorry about the small type and everything, but it</p> <p>24 says -- this is just something I pulled off line.</p> <p>25 It says Critics of Public Act 4 argue that</p>
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<p>1 Why did you think that was a necessary law?</p> <p>2 A. Because in my experience Public Act 72, you know,</p> <p>3 wasn't as effective as the residents or the children</p> <p>4 in school districts needed, and I thought that</p> <p>5 Public Act 4 was a significant improvement.</p> <p>6 Q. One of the other criticisms that I read about about</p> <p>7 PA 4 was that it protected bondholders over other</p> <p>8 types of creditors.</p> <p>9 Are you familiar with that type of</p> <p>10 criticism being lodged during the referendum</p> <p>11 process?</p> <p>12 A. Not specifically.</p> <p>13 Q. What about generally?</p> <p>14 A. I just don't recall. I mean, I'm certain it was</p> <p>15 probably used as a talking point for those that</p> <p>16 wanted to repeal PA 4, but I don't have a specific</p> <p>17 recollection of it.</p> <p>18 Q. Do you remember talking to a publication called Bond</p> <p>19 Buyer Online about the referendum to repeal PA 4?</p> <p>20 A. I've spoken to them several times so I don't know</p> <p>21 the specific interview that you're referring to.</p> <p>22 Q. Do you recall saying to Bond Buyer Online that the</p> <p>23 criticism of PA 4 reflects a lack of understanding</p> <p>24 of the municipal market?</p> <p>25 A. I -- that sounds like something I would say, but I</p>	<p>1 the law protects bondholders above other creditors,</p> <p>2 an argument that Dillon said lacks an understanding</p> <p>3 of the municipal market.</p> <p>4 A. Okay, this helps, having read it.</p> <p>5 Q. Okay, sorry.</p> <p>6 A. Often times when a unit gets into financial trouble</p> <p>7 they can't access the market on their own. So the</p> <p>8 way that they can access the market is they'll work</p> <p>9 with Treasury where we will say, all right, if</p> <p>10 you're going to borrow money we tell the bond money</p> <p>11 providers that we will intercept the money, make</p> <p>12 certain that you get paid first.</p> <p>13 So if someone wanted to say that an</p> <p>14 unsecured creditor or a nonbond creditor of a</p> <p>15 community could be pari passu, on equal footing of</p> <p>16 an existing bondholder, in that circumstance they'd</p> <p>17 be misguided because when the bond deal got done for</p> <p>18 the troubled unit we have an agreement with the</p> <p>19 trustee typically that will intercept the revenues</p> <p>20 that come from the State to the unit, pay the debt</p> <p>21 of the bonds, and then whatever surplus is left goes</p> <p>22 to the City.</p> <p>23 So once that deal is put in place, you</p> <p>24 can't undo it, per se, and then say well, we're just</p> <p>25 not going to pay the bondholders so we can put more</p>

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<p>1 money into the City so they can pay their bills.</p> <p>2 So I think what I'm referring to here is</p> <p>3 that situation where there's a trustee in place or</p> <p>4 an intercept agreement where the State has an</p> <p>5 obligation to make certain that the bond providers</p> <p>6 are paid first. And once that's in place you can't</p> <p>7 undo it.</p> <p>8 Q. Okay. And by an intercept agreement, you're -- I</p> <p>9 mean, would that be something like a security</p> <p>10 interest in a pledged flow of funds from a</p> <p>11 particular source?</p> <p>12 A. Can you restate that?</p> <p>13 Q. By intercept agreement that's not a concept I've</p> <p>14 heard before, but I have heard things like</p> <p>15 collateral, pledge, assignment, security interest.</p> <p>16 Is that what you mean?</p> <p>17 A. I think you're too narrow. There's several</p> <p>18 different ways to do this. For example, and this</p> <p>19 happens in school districts where state aid can be</p> <p>20 intercepted first.</p> <p>21 In Detroit, for example, there's a trustee</p> <p>22 set up that collects the casino revenues before they</p> <p>23 go to the City, and that trustee then transfers</p> <p>24 those payments to certain creditors of the City.</p> <p>25 So sometimes it's a state acting, sometimes</p>	<p>1 agreement creates a secured, you know, lender but</p> <p>2 probably most would be effectively a secured lender.</p> <p>3 Q. So are you saying that it's your view that to the</p> <p>4 extent that a bondholder has an intercept agreement</p> <p>5 in a restructuring, particularly in the</p> <p>6 restructuring of the City of Detroit, that they</p> <p>7 don't have to share the pain with the other</p> <p>8 creditors of the City?</p> <p>9 A. I don't think I understand your question because</p> <p>10 restructuring at what point? I mean, a city can be</p> <p>11 restructuring before Treasury is even involved so.</p> <p>12 Q. Before or after? At any time? I mean, at what</p> <p>13 point is it appropriate if ever for the bondholders</p> <p>14 with intercept agreements or other special</p> <p>15 collateral arrangements to share the pain?</p> <p>16 A. Well, it's my -- I mean, some of this calls for a</p> <p>17 legal -- a lot of this calls for a legal conclusion,</p> <p>18 but it's my understanding that if you're let's say a</p> <p>19 revenue bondholder, right, you're a -- typically,</p> <p>20 you're a secured lender, and you're entitled to the</p> <p>21 revenue streams that you negotiated at the front end</p> <p>22 of the deal.</p> <p>23 So in Detroit's case you have a lot of</p> <p>24 revenue bondholders that are entitled to revenue</p> <p>25 streams that come in to pay for water and sewer</p>
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<p>1 it could be a private entity, a trustee, that</p> <p>2 receives the monies first, and I think there could</p> <p>3 be a variety of ways these get structured.</p> <p>4 Q. Okay. And by saying -- you say "I appreciate Main</p> <p>5 Street saying everyone should share in the pain, but</p> <p>6 troubled cities have to structure their deals in a</p> <p>7 certain way to get access to the market."</p> <p>8 So you're saying that with respect to</p> <p>9 creditors that have intercept agreements, they don't</p> <p>10 have to share the pain with Main Street?</p> <p>11 A. It's harder for them to, I think, because they do --</p> <p>12 if -- they have a -- typically, in this case, and I</p> <p>13 don't want to overstate it and be too broad here,</p> <p>14 but when there's an intercept agreement in place I</p> <p>15 think it effectively serves like a filed lien, like</p> <p>16 a mortgage on a home.</p> <p>17 There may be exceptions to that, but</p> <p>18 generally speaking, yes, and you'll find some older</p> <p>19 communities before they got in financial trouble</p> <p>20 they might have gone out and done unsecured</p> <p>21 borrowing, right? So there's no intercept there.</p> <p>22 They're then unsecured and in the pool of all the</p> <p>23 unsecureds.</p> <p>24 When you have an intercept, you know, I</p> <p>25 want to be careful not to say every intercept</p>	<p>1 services. Their collateral is that revenue stream,</p> <p>2 and if that revenue stream is inadequate to service</p> <p>3 the debt then they could be in harms's way. And</p> <p>4 it's my understanding that that's how Chapter 9</p> <p>5 would deal with revenue bondholders.</p> <p>6 There's a myriad of different ways. I</p> <p>7 don't mean to be evasive, but there's a lot of</p> <p>8 different ways where intercept agreements can get</p> <p>9 negotiated. I think that the one as it relates to</p> <p>10 the casino revenues in Detroit is rather unique, and</p> <p>11 it may not reflect kind of a standard borrowing that</p> <p>12 may take place going forward.</p> <p>13 We did a financing a year and a half ago</p> <p>14 for Detroit. It was \$137 million deal and that to</p> <p>15 my knowledge my staff helped secure that, but that</p> <p>16 was done with an agreement to intercept State</p> <p>17 revenue sharings to make certain that that debt was</p> <p>18 serviced.</p> <p>19 So if the lenders did their job and got the</p> <p>20 legal requirements that they need to have the</p> <p>21 priority their first right to that revenue stream,</p> <p>22 then they're probably protected. If they have</p> <p>23 defects in the legal work or they don't have a</p> <p>24 contractual right to that revenue stream, they</p> <p>25 probably will be treated like any other creditor.</p>

<p style="text-align: right;">Page 29</p> <p>1 Q. Well -- all right. So let me just move forward now 2 to the striking down of PA 4 by the voters of the 3 State. That happened in November of 2012; is that 4 right? 5 A. Right. 6 Q. And as State Treasurer, did you have a view on how 7 if at all this would impact Wall Street's view on 8 the subdivisions, the government subdivisions of the 9 State of Michigan and specifically the City of 10 Detroit? 11 A. At least one and maybe more credit rating agencies 12 said the fact that the State of Michigan had Public 13 Act 4 on the books was a credit positive. They 14 viewed it as a favorable environment for lending 15 into the State. 16 So when it got repealed, as it relates to 17 at least those one, maybe two credit rating 18 agencies, it would be deemed a credit negative that 19 Michigan now doesn't have that law which they deemed 20 to be a credit positive on the books. 21 And we then reverted back to Public 72 22 which was in my mind, you know, a good start, but it 23 needed some improvements to be effective. 24 Q. Would the repeal of Public Act 4 have any impact on 25 the credit rating of the State of Michigan?</p>	<p style="text-align: right;">Page 31</p> <p>1 Q. So is it the view of Wall Street or the credit 2 markets that where a state has the power to go in 3 and take over or manage a political subdivision, 4 that is positive from the perspective of the 5 markets, based on your experience? 6 MS. NELSON: Compound question, form, 7 foundation. Do you want to talk about a takeover? 8 You said take over or manage. 9 MR. SHERWOOD: You can object. 10 MS. NELSON: Form, foundation. 11 MR. SHERWOOD: And -- 12 MS. NELSON: Compound. 13 MR. SHERWOOD: -- Treasurer Snyder can tell 14 me if he doesn't understand the question. 15 Now, can you read back the question? 16 MR. WERTHEIMER: Actually, it's Treasurer 17 Dillon. 18 MR. SHERWOOD: I'm sorry. 19 THE WITNESS: I got a promotion at the 20 deposition. 21 MR. SHERWOOD: Hold on. Let her read back 22 the question. 23 THE WITNESS: Actually, if I give you a 24 comment maybe you can rephrase it. That will make 25 it easier, because you're asking me to say what the</p>
<p style="text-align: right;">Page 30</p> <p>1 A. Indirectly. I mean, the State has its own credit 2 rating and its own revenues and expenses and 3 obligations. Local units are stand-alone and have 4 their own responsibilities and obligations. So I 5 would only say it's indirectly. 6 I think if -- the rating agencies, I think 7 if they view that a state is mismanaging its local 8 units I think that they would view that negatively 9 on the State, but it doesn't directly provide a 10 commentary on whether or not the State is going to 11 repay its debt. 12 Q. You said that the markets reflected PA 4 as a credit 13 positive. What was it about PA 4 based on your 14 experience that had a positive impact on the credit 15 rating of the government subdivisions here in 16 Michigan? 17 A. Well, I mean, I think we should pull the statements 18 that were issued by the ratings agencies. I don't 19 remember if it was Moody, Standard or Poor or Fitch. 20 I think it might have been Moody's. I mean, they 21 issued actually statements saying it's a credit 22 positive. 23 I think they appreciate a state that is 24 proactively managing its finances as well as those 25 of their cities and school districts.</p>	<p style="text-align: right;">Page 32</p> <p>1 credit markets think, and I'm not the credit 2 markets. 3 BY MR. SHERWOOD: 4 Q. I understand that, but as State Treasurer and a 5 person with substantial experience both in private 6 life and public life, I think you can give me your 7 perception of why PA 4 was viewed by the credit 8 markets as something that was attractive -- 9 A. Yeah. 10 Q. -- and I'd like you to do that. 11 A. Detroit's a good example. The health of your 12 biggest city has an impact on the health of the 13 State, right, and if you have a city of 700,000 14 folks that don't have access to public safety, kids 15 can't walk safely to school, there's no lights on, 16 that's going to have a negative impact on the 17 State's economy. 18 So my personal opinion is yes, that's a 19 credit positive, that if you have a state that 20 proactively tries to prevent those types of health, 21 safety and wellness crises within their state to 22 have a healthy vibrant city, it's good to make the 23 state healthy and vibrant. 24 Q. But isn't it in the first instance the job of the 25 city government to fulfill those needs and address</p>

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<p>1 those concerns?</p> <p>2 A. That's how we've set it up.</p> <p>3 Q. And are you saying that in the case of Detroit, city</p> <p>4 government did not fulfill those needs?</p> <p>5 A. I think we've found there are circumstances where</p> <p>6 local units have been unable to provide essential</p> <p>7 services or gotten themselves too far into debt that</p> <p>8 it becomes very difficult to navigate out of.</p> <p>9 Q. What was your understanding of the repeal of PA 4?</p> <p>10 How did that operate practically? Did that mean,</p> <p>11 based on your understanding, that there was no</p> <p>12 emergency manager law as of the date of that repeal?</p> <p>13 A. My memory is the Attorney General told us that upon</p> <p>14 the repeal of PA 4, PA 72 was the law that we should</p> <p>15 follow.</p> <p>16 Q. And but didn't -- wasn't that opinion struck down by</p> <p>17 the Supreme Court of the State of Michigan?</p> <p>18 A. I don't recall that.</p> <p>19 Q. Okay. Was that opinion challenged in court?</p> <p>20 A. It may have been. I don't recall.</p> <p>21 Q. And you don't know what the result of that legal</p> <p>22 challenge was?</p> <p>23 A. I don't ever remember that PA 72 was not a law that</p> <p>24 we at Treasury were supposed to rely upon during</p> <p>25 these windows where PA 4 was repealed and before</p>	<p>1 get out sooner. That would be something we learned</p> <p>2 during, you know, using or relying on Public Act 4.</p> <p>3 We also looked at, you know, various</p> <p>4 criticisms and we tried to put more local</p> <p>5 involvement into Public Act 436. So, for example,</p> <p>6 you'll see if the locals don't like a decision, a</p> <p>7 material decision being made by a manager, they're</p> <p>8 given a chance to come up with a better idea. And</p> <p>9 there's various ingredients like that that we added</p> <p>10 to address some of the criticisms of PA 4.</p> <p>11 Q. So in enacting PA 436 after the repeal of PA 4, it</p> <p>12 was not your view that the Legislature and the</p> <p>13 Governor were going against the will of the voters?</p> <p>14 A. I think we tried to accommodate the criticisms we</p> <p>15 heard during the campaign.</p> <p>16 Q. Well, the voters didn't -- they didn't like the EM</p> <p>17 law. They thought it was a dictatorship, they</p> <p>18 thought it was undemocratic.</p> <p>19 How specifically did 436 address the</p> <p>20 concern of, you know, the EM law being a</p> <p>21 dictatorship?</p> <p>22 A. Well, for example, one of the changes were, you</p> <p>23 know, it wasn't just right to emergency. We had a</p> <p>24 path for a consent agreement, we had a path for</p> <p>25 emergency, we had a path for a restructuring, and</p>
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<p>1 PA 436 took effect.</p> <p>2 Q. All right. So let's turn to PA 436 real quick.</p> <p>3 Why was PA 436 implemented if PA 72 was in</p> <p>4 effect?</p> <p>5 A. Because the same reason we put PA 4 in place. We</p> <p>6 thought PA 72 could be improved upon. So after the</p> <p>7 election there's a few meetings where we really did</p> <p>8 gather what were the criticisms of PA 4 and looked</p> <p>9 to see if we could improve PA 4 to make it address</p> <p>10 those concerns.</p> <p>11 And then as we had worked with PA 4 for a</p> <p>12 period of time, we identified some areas that we</p> <p>13 would want to seek improvement, and I'll give you</p> <p>14 one example. Often times we would want to give the</p> <p>15 reigns, the power back to the local electeds, and in</p> <p>16 order to do that under Public Act 4 you'd have to</p> <p>17 end the emergency. And we were uncomfortable about</p> <p>18 that because we were prepared to give -- return the</p> <p>19 power before we were a hundred percent certain that</p> <p>20 the financial emergency was over.</p> <p>21 So if you see in 436 what we did was we put</p> <p>22 in place something called a Transition Advisory</p> <p>23 Board, and that allows us to transfer power back to</p> <p>24 the Mayor and the City Councils without having to</p> <p>25 terminate the emergency status, so it allows us to</p>	<p>1 then the fourth option was an actual Chapter 9 in</p> <p>2 case someone was really out of cash.</p> <p>3 So we tried to create options for the local</p> <p>4 units and we tried to give them a chance to come up</p> <p>5 with better ideas if they didn't like the plans of</p> <p>6 the manager. From the meetings I sat in, I think</p> <p>7 there was a sincere effort to address that. And,</p> <p>8 you know, my memory was that the vote on PA 4 was</p> <p>9 not a landslide. It was actually -- there was not</p> <p>10 anyone advocating for the protection of PA 4, and</p> <p>11 the vote was pretty close.</p> <p>12 If -- it wasn't one of six ballot measures</p> <p>13 and the only one -- I think it was the only one that</p> <p>14 you wanted a vote the other way. I forget whether</p> <p>15 it was yes or no kept the law, but it was the only</p> <p>16 one where I think you had to vote yes to keep it and</p> <p>17 all the other ones, you know, required a no vote.</p> <p>18 So it was a pretty close vote without one</p> <p>19 advocate out there saying why this law makes sense.</p> <p>20 And in my experience, I don't know that a lot of</p> <p>21 people spent a lot of time really reading through PA</p> <p>22 4 and why it was necessary.</p> <p>23 Q. Did any of the changes between PA 4 and PA 436 deal</p> <p>24 specifically with the ability of the emergency</p> <p>25 manager to file bankruptcy?</p>

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<p>1 A. I don't recall if there's differences there.</p> <p>2 Q. In your discussions with Mr. Orr, did you discuss</p> <p>3 with him the differences between PA 4 and PA 436?</p> <p>4 A. I don't recall. I do know that we spent time</p> <p>5 briefing him on how 436 works, and I know he spent a</p> <p>6 lot of time reading the statutes, and I think he had</p> <p>7 a good understanding of what 436 was, but in terms</p> <p>8 of a discussion where we compared the two, I don't</p> <p>9 recall that.</p> <p>10 Q. Give me one second. Did you have any role -- I'm</p> <p>11 sorry. We okay?</p> <p>12 VIDEO TECHNICIAN: We haven't gone off the</p> <p>13 record.</p> <p>14 MR. SHERWOOD: Good.</p> <p>15 BY MR. SHERWOOD:</p> <p>16 Q. Did you have any role in the drafting of PA 436?</p> <p>17 A. Not in the drafting, but as I indicated earlier,</p> <p>18 there was some meetings probably late November,</p> <p>19 early December about trying to address and improve</p> <p>20 Public Act 4.</p> <p>21 So there was some high-level themes that I</p> <p>22 attended meetings and discussed, but in terms of the</p> <p>23 actual drafting of language, I didn't have any role</p> <p>24 in that.</p> <p>25 Q. Let's mark this as Exhibit 2.</p>	<p>1 A. Can you restate the question?</p> <p>2 Q. During your consideration of PA 436 and your</p> <p>3 discussions about it, did anyone ever come out and</p> <p>4 say anything like let's try to modify Section 24 of</p> <p>5 the Constitution?</p> <p>6 A. No, but when we did Public Act 4 we had this</p> <p>7 discussion.</p> <p>8 Q. Okay. And what was said in that discussion?</p> <p>9 A. I asked various lawyers that were involved, you</p> <p>10 know, how does this shake out? You know, you have</p> <p>11 these -- you know, can you -- the key item of PA 4</p> <p>12 that raised a lot of concerns was the ability to</p> <p>13 temporarily modify CBAs, and I have a different unit</p> <p>14 too.</p> <p>15 So we discussed this provision when we</p> <p>16 drafted PA 4, and the answer I recall getting at the</p> <p>17 time was that you have these competing provisions;</p> <p>18 the responsibility to provide for the public, health</p> <p>19 safety and welfare as well as that you can't impair</p> <p>20 contracts.</p> <p>21 And I believe there's a case back in the</p> <p>22 thirties, and don't hold me to this, but I think</p> <p>23 there was one case that addressed this issue a long</p> <p>24 time ago. So in my mind the issue was resolved for</p> <p>25 me during the PA 4 discussions, so when 436</p>
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<p>1</p> <p>2 (Deposition Exhibit 2 was marked.)</p> <p>3</p> <p>4 MS. NELSON: Do you have a copy that I can</p> <p>5 look at?</p> <p>6 MR. WERTHEIMER: For the record, all of us</p> <p>7 have seen this before.</p> <p>8 BY MR. SHERWOOD:</p> <p>9 Q. All right. So we've marked as D-2 Section 24 of the</p> <p>10 State Constitution. It's just an excerpt of the</p> <p>11 Constitution which says "The accrued financial</p> <p>12 benefits of each pension plan and retirement system</p> <p>13 of the State and its political subdivision shall be</p> <p>14 a contractual obligation thereof which shall not be</p> <p>15 diminished or impaired thereby."</p> <p>16 Are you familiar with this provision of the</p> <p>17 State Constitution?</p> <p>18 A. I am aware it existed and I now just read it.</p> <p>19 Q. Okay. Based on your review and understanding of PA</p> <p>20 436, does PA 436 in any way impact Section 24 of the</p> <p>21 Michigan Constitution?</p> <p>22 MS. NELSON: Objection; calls for a legal</p> <p>23 conclusion.</p> <p>24 BY MR. SHERWOOD:</p> <p>25 Q. I just want your understanding.</p>	<p>1 resurfaced I didn't revisit the discussion but</p> <p>2 others may have.</p> <p>3 Q. Was it your understanding based on your experience</p> <p>4 and knowledge somehow under the authority of PA 436</p> <p>5 that the State of Michigan or the City of Detroit</p> <p>6 could disregard the constitutional provision</p> <p>7 protecting pension and retirement benefits?</p> <p>8 A. I'm sorry, could you read it?</p> <p>9 MR. SHERWOOD: You can read it back.</p> <p>10 (Reporter read pending question.)</p> <p>11 THE WITNESS: Could you read it one more</p> <p>12 time?</p> <p>13 (Reporter read record as follows:</p> <p>14 "Q. Was it your understanding based on your</p> <p>15 experience and knowledge somehow under the</p> <p>16 authority of PA 436 that the State of</p> <p>17 Michigan or the City of Detroit could</p> <p>18 disregard the constitutional provision</p> <p>19 protecting pension and retirement</p> <p>20 benefits?").</p> <p>21 THE WITNESS: No, I don't think PA 436 gave</p> <p>22 you that right. I think you have economic</p> <p>23 realities.</p> <p>24 For example, I have a different unit where</p> <p>25 their pension fund is funded at less than 10</p>

<p style="text-align: right;">Page 41</p> <p>1 percent, and I do recall asking for legal advice 2 about if that thing runs to zero, what happens? And 3 it's a unit that can't afford to raise taxes or 4 service that. 5 And the memory I have is that, yeah, it's 6 still there in the Constitution, but if the unit 7 can't pay the pension they can't pay the pension. 8 So I would say 436 -- 9 BY MR. SHERWOOD: 10 Q. Why doesn't that logic also apply to the bondholder 11 creditors of the City of Detroit? If the unit can't 12 pay, doesn't have enough to pay its pension 13 obligations and its obligations to Wall Street, why 14 doesn't that logic also apply? 15 MS. NELSON: Objection; calls for a legal 16 conclusion and for speculation. 17 THE WITNESS: I'm not certain that it 18 doesn't. If the unit doesn't have the money to pay 19 their bondholders, there's a problem, and I guess 20 that's what Chapter 9 is for or some type of effort 21 to resolve it in a different way. 22 We do that all the time working with units 23 to see if we can restructure and help them 24 restructure debts that they may have. But if 25 there's no money to pay, whether it be payroll or a</p>	<p style="text-align: right;">Page 43</p> <p>1 evidence. 2 THE WITNESS: Yeah, I mean, I think those 3 are decisions that would be made by a judge at some 4 point. 5 BY MR. SHERWOOD: 6 Q. Well, didn't the Governor make that decision by 7 appointing the emergency manager? 8 A. I don't believe so. 9 Q. Wasn't one of the purposes of 436 to enable an 10 emergency manager to file Chapter 9? 11 A. I -- I mean, it was in PA 72, it was in PA 4, it was 12 in 436. I don't think that PA 436 changed that. In 13 fact, the law we were relying on at the time was 14 PA 72 that allowed for filing of a Chapter 9, so I 15 don't think I accept that premise. 16 Q. Let's -- this has been marked a hundred times, but 17 let's mark this as Dillon 3. It's the July 18th, 18 2013 authorization letter. 19 20 (Deposition Exhibit 3 was marked.) 21 22 MR. WERTHEIMER: It's now Orr 11, Snyder 2 23 and Dillon 3. 24 MR. SHERWOOD: Orr 11, Snyder 2 and 25 Dillon 3, okay.</p>
<p style="text-align: right;">Page 42</p> <p>1 pension or a bondholder, there's no money. 2 BY MR. SHERWOOD: 3 Q. But I think you testified earlier that, you know, 4 because certain bondholders have the protection of 5 entitlement to revenue streams that they should have 6 exclusive claims to those streams; is that right? 7 A. I don't know if I said they should have, but I think 8 that if they've done their legal work and they've 9 got the right to that stream, I think the courts 10 will recognize they have the right to that revenue 11 stream. 12 Q. By the same token, the holders of vested pension and 13 retirement benefits have the protection of the 14 Constitution of the State of Michigan which prevents 15 those benefits from being diminished or impaired in 16 any way. 17 Why is it that they have to make sacrifice 18 in the context of the Chapter 9 case but not the 19 bondholders? 20 MS. NELSON: Objection; form, foundation, 21 assumes facts not in evidence. There's no plan 22 that's even been filed that suggests that. 23 MR. SHERWOOD: You can object to form. 24 MS. NELSON: Form, foundation, speculation, 25 improper hypothetical, and assumes facts not in</p>	<p style="text-align: right;">Page 44</p> <p>1 BY MR. SHERWOOD: 2 Q. Treasurer Dillon, I assume you've seen Dillon 3 3 before? 4 A. Yes. 5 Q. Okay. Did you review this in preparation for your 6 deposition today? 7 A. I did take a glance at it, yes. 8 Q. Turning to the last page in the contingencies 9 paragraph, that's a reference to PA 436. 10 It says "...my approval of the 11 recommendation to commence a Chapter 9 proceeding 12 may place contingencies on such a filing.... I am 13 choosing not to impose any such contingencies today. 14 Federal law already contains the most important 15 contingency - a requirement that the plan be legally 16 executable." 17 Are you familiar with that language? 18 A. I am. 19 Q. Did you help the Governor draft this letter? 20 A. I did not. 21 Q. Did you see it in draft form before it went out? 22 A. I did not. 23 Q. Okay. In PA 436, do you have an understanding of 24 why that legislation provided that the Governor 25 could place contingencies on a Chapter 9 filing?</p>

<p style="text-align: right;">Page 45</p> <p>1 A. I wasn't part of the drafting of the language, so I 2 don't feel that I can answer that question. 3 Q. During the time leading up to the issuance of this 4 letter on July 18th, 2013, did you have discussions 5 with anybody about this contingency provision of 6 436? 7 A. I believe there was a -- yes, I did. 8 Q. And who did you have those discussions with? 9 A. I don't recall specifically. I had -- there was a 10 conference call, I believe, of the Governor's -- 11 folks from the Governor's office as well as some 12 from Treasury where we discussed the pros and cons 13 of the issue and that was, you know, days before the 14 Governor's letter came out. 15 And then I had a brief conference call with 16 some Jones Day lawyers about the concept of it as 17 well. 18 Q. All right. So I think you talked about two 19 conversations? 20 A. I believe that's what I recall. 21 Q. All right. So let's leave out the Jones Day 22 discussion for now. 23 During the first conversation -- 24 discussion, what was said about this provision in PA 25 436 concerning contingencies?</p>	<p style="text-align: right;">Page 47</p> <p>1 BY MR. SHERWOOD: 2 Q. Did you view the conversation as confidential? 3 A. Yes. 4 Q. Did you say anything that you wouldn't have said if 5 a lawyer was not in the room? 6 A. I don't believe so. I don't recall all the 7 specifics of that discussion. 8 Q. But you do know that the contingency provision of PA 9 436 was discussed on that call, right? 10 A. Yes. 11 Q. And then there was a follow-up call which -- when 12 did that call take place? Can you tell me the date 13 of the call, approximately? 14 A. No, but it would be within a week of the Governor's 15 letter coming out, I believe. 16 Q. Okay. And then the call with Jones Day that you 17 also described, did that happen before, did that 18 happen later? 19 A. I believe it happened before that conference call. 20 Q. Okay. So first there was a conference call where 21 Jones Day participated, and who was on that call? 22 A. There was -- I don't recall specifically. The call 23 happened in my office. I probably had one or two of 24 my staff on the call, and then who was on the other 25 end of Jones Day, I don't recall any names, to be</p>
<p style="text-align: right;">Page 46</p> <p>1 MS. NELSON: Objection; attorney-client 2 privilege. 3 BY MR. SHERWOOD: 4 Q. Were attorneys present during that conference? 5 MS. NELSON: You need to answer verbally. 6 THE WITNESS: Oh, yes. Yes, I believe Mike 7 Gadola was on the conference call. 8 BY MR. SHERWOOD: 9 Q. Who is Mike Gadola? 10 A. He's the Governor's general counsel. 11 Q. And was he there to give legal advice? 12 A. I assume so. 13 Q. All right. But when you were -- when -- you can do 14 nothing but assume he was there. He was just there? 15 He wasn't there providing legal counsel to the folks 16 on the phone? 17 A. That was my understanding, that he was the 18 Governor's general counsel and he was advising us on 19 that issue. 20 Q. Did you view the conversation as one that was 21 confidential and privileged? Did you say anything 22 that you wouldn't say if a lawyer was in the room? 23 MS. NELSON: Which question would you like 24 him to answer first? You have two questions there. 25 MR. SHERWOOD: Okay.</p>	<p style="text-align: right;">Page 48</p> <p>1 honest with you. 2 Q. Did you ever suggest to the Governor that in 3 authorizing the filing of Chapter 9 the Governor 4 should place a contingency on his authorization that 5 prohibited the emergency manager from violating the 6 constitutional rights of the City's pension and 7 benefit claimants? 8 A. I don't recall having done that. 9 Q. Was that your view? 10 A. I don't believe so. I mean, I appreciated that we 11 had an issue here, but I didn't tell the Governor 12 hey, you can't do that without having a contingency 13 in this constitutional provision. 14 Q. Did the Governor ever solicit your point of view 15 with respect to that issue? 16 A. No. 17 Q. Did you ever suggest to the Governor that the use of 18 the language that's set forth in D-3 under 19 contingencies, that the use of that language was a 20 way to sort of punt the issue to the federal court? 21 A. No. I didn't discuss any of this paragraph with the 22 Governor. 23 VIDEO TECHNICIAN: Secretary Dillon, you're 24 losing your microphone. 25 BY MR. SHERWOOD:</p>

<p style="text-align: right;">Page 49</p> <p>1 Q. So you're not aware of any discussions where the use 2 of this language in D-3 was viewed as a way to avoid 3 having to make a decision as to the constitutional 4 protections for pension benefits and the like? 5 A. The first time I saw this letter was on freep dot 6 com, so I didn't have discussions with the Governor 7 about this provision. 8 Q. Did you ever discuss just the idea with the Governor 9 of how it would -- how he would authorize the filing 10 of a Chapter 9 given the constitutional protection 11 for vested pension and retirement benefits? 12 A. I don't recall any specific discussion in that 13 context. 14 Q. What about general discussions in that context? 15 A. Yeah, I don't recall. I mean, I may have shared 16 with him the advice I got about another unit who I 17 was worried about where I knew that they didn't have 18 any funding in their pension plan and that when the 19 money runs out, you know, the view was that the 20 State was not liable for making up that difference. 21 We may have -- I may have shared that 22 opinion I got from a lawyer, but I don't remember 23 the specific date or time or window when that may 24 have been shared, but I'm pretty certain I probably 25 did share that concept with him.</p>	<p style="text-align: right;">Page 51</p> <p>1 marked as Dillon 4, and I realize these are emails 2 that you probably have not seen before, but they are 3 emails that were sent by the emergency manager where 4 he describes the new EM law as a "end around the 5 prior initiative that was rejected by the voters in 6 November." 7 MS. NELSON: I'm going to object to your 8 characterization it was sent by the emergency 9 manager. 10 At the date of January 31st, 2013, Kevyn 11 Orr was not the emergency manager. 12 MR. SHERWOOD: Okay. And you can only 13 object to form and privilege so, please, no more 14 speaking objections. 15 BY MR. SHERWOOD: 16 Q. Would you agree with Mr. Orr's statement on 17 January 31st, 2013, that the EM law was a "end 18 around the prior initiative that was rejected by the 19 voters in November"? 20 A. I don't. I recall sincere meetings where we 21 examined what were the criticisms of the PA 4 and 22 tried to address them in the new legislation. 23 Q. So you don't agree with his characterization? 24 A. No. 25 Q. Do you know -- if you look down to the bottom</p>
<p style="text-align: right;">Page 50</p> <p>1 Q. During your conversations with the Governor, did 2 you -- either you or the Governor indicate to one 3 another that you were looking for a way to avoid the 4 constitutional obligation to not impair the rights 5 of vested pensions and benefits? 6 MS. NELSON: Objection; asked and answered. 7 Go ahead. 8 THE WITNESS: Can you read that question 9 back? 10 (Reporter read pending question.) 11 THE WITNESS: We never had a discussion 12 about the desire to circumvent the Constitution in 13 any way. 14 MR. SHERWOOD: Can we take a five-minute 15 break at this point? 16 VIDEO TECHNICIAN: Going off the record at 17 10:21 a.m. 18 (A brief recess was taken.) 19 20 (Deposition Exhibit 4 was marked.) 21 22 VIDEO TECHNICIAN: We're back on the record 23 at 10:30 a.m. 24 BY MR. SHERWOOD: 25 Q. Okay, Treasurer Dillon, I've showed you what's been</p>	<p style="text-align: right;">Page 52</p> <p>1 paragraph where Mr. Orr states that "...although the 2 new law provides the thin veneer of a revision it is 3 essentially a redo of the prior rejected law and 4 appears to merely adopt the conditions necessary for 5 a Chapter 9 filing." 6 Do you agree with that statement? 7 A. No, because I -- we spoke earlier about the tab 8 added, the four options that the locals have, the 9 18-month window for which an EM can serve. 10 So, I mean, those were sincere efforts on 11 the part of the Governor as well as my staff to 12 address issues that were raised during the ballot 13 initiative. 14 Q. So you disagree with this statement by Mr. Orr as 15 well; is that your testimony? 16 A. I disagree with his characterization. 17 Q. Does the new law 436 adopt the conditions necessary 18 for a Chapter 9 filing? 19 A. I believe it does. I don't have a legal opinion to 20 that effect, but I think it's -- 72 had it, 4 had it 21 and I believe 436 has it. So we didn't need 436 22 because we had 72 at the time, so -- 23 Q. Was there any discussion that you were a part of 24 where the start date for Mr. Orr was discussed? 25 A. Sure. Yes.</p>

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<p>1 Q. And was there ever a discussion about sort of 2 coordinating the start date for Mr. Orr with the 3 expiration of the old EM law? 4 A. I don't recall. 5 Q. Do you recall that initially the start date for 6 Mr. Orr was going to be somewhere in mid March of 7 2013? 8 A. I believe -- my memory is his actual start date had 9 more to do with his schedule than ours. 10 Q. Did his start date have anything to do with the 11 expiration of the old EM law and the -- I guess the 12 start date for the new EM law, 436? 13 A. I don't believe so. 14 Q. So you weren't party to any conversations with 15 Mr. Orr or the Governor where it was discussed that 16 the start date for the EM should sort of coincide 17 with either the expiration of the old law or the 18 effective date of the new law? 19 A. I don't recall that discussion. It's not that it 20 didn't happen, I just don't recall it. 21 Q. Yeah, because the effective date of the new law is 22 March 28th, 2013, and I believe that's the same date 23 that he was formally appointed. Isn't that right? 24 A. My memory is he served three days under 72 give or 25 take and then the new law kicked in, so he actually</p>	<p>1 Q. Why was it that people from the State were at a 2 meeting to select counsel for the City of Detroit? 3 A. Well, the City, as you might recall at the time, was 4 under a consent agreement, and we were struggling 5 with that and we were bringing in some professionals 6 to help with the City. And December it involved an 7 investment bank and some restructuring firms; E and 8 Y and Conway MacKenzie, and then the last piece of 9 the puzzle was the law firm. 10 Q. And before that meeting, where did the search for an 11 emergency manager stand? How many candidates -- how 12 many serious candidates did you guys have at that 13 point? 14 A. Before the -- what meeting? 15 Q. Before the meeting at the airport with the law 16 firms. 17 A. At the Jones Day? 18 I don't recall specifically but there 19 wasn't a lot. You know, we -- at that point I would 20 say we thought we had very few candidates that, A, 21 could do it and, B, were willing to do it. 22 Q. And how did it develop that Mr. Orr was identified 23 as a candidate? Did it happen at that meeting or 24 after that meeting? 25 A. I believe it was after that meeting Rich called me,</p>
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<p>1 served under both is my memory. 2 Q. Okay. Do you -- were you part of the search team 3 for the emergency manager? 4 A. I don't think we had an official search team, but 5 yes, I was involved. 6 Q. Who else was involved with you? 7 A. Primarily Rich Baird. 8 Q. And were you at the meeting on I think it was 9 January 28th, 2013, at the airport in Detroit where 10 the law firms were interviewed? 11 A. Yes. 12 Q. And Mr. Baird was there as well? 13 A. Yes. 14 Q. And I think Mr. Buckfire was there? 15 A. Most likely. 16 Q. Anyone else on the side of the City and the State 17 that you remember? 18 A. I believe Tom Saxton and Brom Stibitz from Treasury 19 were there. I believe Chris Andrews and Jack Martin 20 from the City were there. I believe we may have had 21 some members of the Financial Advisory Board there. 22 There may have been a few others I don't recall. 23 Q. Had you known or heard of Mr. Orr before that 24 meeting? 25 A. No.</p>	<p>1 Rich Baird called me and said what do you think of 2 Orr? And it was just a phone conversation is how it 3 started is my memory. 4 Q. And before that meeting, your only knowledge of or 5 exposure to Mr. Orr was his being part of the Jones 6 Day pitch team; is that fair to say? 7 A. Right. 8 Q. And your first notice that Mr. Orr was a prospect 9 was -- came from Mr. Baird? 10 A. Right. 11 Q. Do you know whose idea it was to propose Mr. Orr as 12 a candidate? 13 A. I believe it was Mr. Baird. 14 Q. And what was your reaction? 15 A. I was favorably inclined to explore it. We had only 16 met him for -- I forget how long those interviews 17 lasted but give or take an hour. So I had never met 18 him before then, so my experience with him is 19 limited. 20 Q. What was it about Mr. Orr that in your view made him 21 qualified to be the emergency manager? 22 A. There's two primary attributes that I appreciated. 23 One was he had a restructuring background which 24 clearly we needed and we'd been struggling in the 25 City, both from an operational as well as a balance</p>

<p style="text-align: right;">Page 57</p> <p>1 sheet restriction.</p> <p>2 The other is my experience as Treasurer</p> <p>3 dealing with emergencies in other cities, it's</p> <p>4 really important that the manager has the right</p> <p>5 personality because there's a way to do the job and</p> <p>6 a way that calms the critics and the community, and</p> <p>7 there's a way to kind of ruffle feathers. And I</p> <p>8 liked Mr. Orr's disposition. I thought he would</p> <p>9 have the ability to communicate a clear message as</p> <p>10 to the reason why what is being done is being done,</p> <p>11 and I thought that in many ways that is in large</p> <p>12 measure probably the most important requirement.</p> <p>13 Q. Did there come a time when you expressed your</p> <p>14 support of Mr. Orr as the potential emergency</p> <p>15 manager?</p> <p>16 A. Yeah. I had one meeting with him in my memory, and</p> <p>17 it was a lunch really and it was more social -- as</p> <p>18 much social as business related, but coming away</p> <p>19 from that meeting I was impressed and supportive,</p> <p>20 and I know Rich was doing a lot of the groundwork to</p> <p>21 vet him as a potential candidate and I trust Rich's</p> <p>22 judgment.</p> <p>23 Q. During those meetings with Mr. Orr, did you discuss</p> <p>24 the path to Chapter 9 for the City of Detroit?</p> <p>25 A. No. I think it was more us sharing with him what</p>	<p style="text-align: right;">Page 59</p> <p>1 he -- did you or he address the political issues</p> <p>2 that were confronted by the Governor in terms of the</p> <p>3 emergency manager statute and treatment of</p> <p>4 retirement and pension benefits for the City</p> <p>5 employees?</p> <p>6 A. I don't recall that.</p> <p>7 Q. You don't recall that at all?</p> <p>8 A. I don't recall the specifics of our discussion. I</p> <p>9 remember the lunch meeting where I think it was, as</p> <p>10 I said before, more of us sharing with him what the</p> <p>11 role of an EM is like and less some lessons that</p> <p>12 were learned by us.</p> <p>13 It wasn't like -- I don't recall any</p> <p>14 circumstance where I was with Kevyn and I felt like</p> <p>15 I was getting a tutorial about how did we get into</p> <p>16 Chapter 9. I don't have any memory of something</p> <p>17 like that.</p> <p>18 Q. But during those discussions certainly you discussed</p> <p>19 the pension exposure, the exposure to the pension</p> <p>20 and the obligation to pay retiree benefits and the</p> <p>21 impact that -- of that on the financial affairs of</p> <p>22 the City of Detroit, didn't you?</p> <p>23 A. We would have discussed the City's cash position</p> <p>24 because that was front and center at the time. You</p> <p>25 know, do they have enough cash to navigate through</p>
<p style="text-align: right;">Page 58</p> <p>1 our experience is in dealing with emergencies and</p> <p>2 how the law works, and in a way I think it was more</p> <p>3 information coming from Treasury to Orr than the</p> <p>4 other way around.</p> <p>5 Q. During the Jones Day legal presentation at the</p> <p>6 airport on the 28th of January, did Jones Day lay</p> <p>7 out to the group a path to Chapter 9 for the City of</p> <p>8 Detroit?</p> <p>9 A. No.</p> <p>10 Q. Did they provide a written slide show or</p> <p>11 presentation that laid out bankruptcy issues and</p> <p>12 restructuring issues?</p> <p>13 A. We interviewed six firms that day, I believe. I</p> <p>14 don't remember the specifics of any particular</p> <p>15 pitch. I do know that Chapter 9 was a discussion,</p> <p>16 you know, in probably most all of the firms that we</p> <p>17 met with, but I don't -- I have zero memory of any</p> <p>18 discussion about a path.</p> <p>19 Q. And just for the record, I've been saying the</p> <p>20 January 28th meeting in the airport. I'm told that</p> <p>21 it's really January 29th.</p> <p>22 A. Okay.</p> <p>23 Q. So, for the record, we're talking about the same</p> <p>24 meeting.</p> <p>25 During your discussions with Mr. Orr, did</p>	<p style="text-align: right;">Page 60</p> <p>1 the next year was probably the biggest issue.</p> <p>2 And I suspect we would have high-level</p> <p>3 discussions about the balance sheet of the City, but</p> <p>4 there was no discussion about, you know, how do you</p> <p>5 circumvent any liability and there was no talk about</p> <p>6 hair cutting bondholders or pensioners or walking</p> <p>7 away from health care, but there was general</p> <p>8 discussions I'm sure about the condition of the</p> <p>9 balance sheet.</p> <p>10 Q. And you don't recall any specific discussions with</p> <p>11 Mr. Orr in all of your interaction with him where</p> <p>12 pension and health care obligations of the City</p> <p>13 were discussed and plans for dealing with those</p> <p>14 obligations were discussed?</p> <p>15 MS. NELSON: I'm going to object to form</p> <p>16 and foundation. Is there a time frame?</p> <p>17 BY MR. SHERWOOD:</p> <p>18 Q. Well, I guess it would be January --</p> <p>19 MS. NELSON: You said all his</p> <p>20 conversations. Are you --</p> <p>21 MR. SHERWOOD: January 28th through the</p> <p>22 filing date of July 18th.</p> <p>23 MR. WERTHEIMER: Yeah.</p> <p>24 THE WITNESS: Yes.</p> <p>25 BY MR. SHERWOOD:</p>

<p style="text-align: right;">Page 61</p> <p>1 Q. So you had discussions with him about those issues?</p> <p>2 A. Yes.</p> <p>3 Q. And what did you say and what did he say?</p> <p>4 MS. NELSON: Well, I'm going to object</p> <p>5 because that will intrude on attorney-client</p> <p>6 privileged communications, so you're going to have</p> <p>7 to parse it out.</p> <p>8 BY MR. SHERWOOD:</p> <p>9 Q. Did you have any conversations without counsel</p> <p>10 present?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And what was said during those?</p> <p>13 A. I mean, there was dozens of conversation so it's</p> <p>14 hard for me to pick out one particular one and have</p> <p>15 a clear memory of what was said.</p> <p>16 Q. Did you talk about the number, how much of -- how</p> <p>17 much the pension was underfunded with Mr. Orr</p> <p>18 outside the presence of counsel?</p> <p>19 A. There was discussions about what the funding status</p> <p>20 of the pensions was, and it was and continues to be</p> <p>21 a bit of a moving target. So we discussed that yes,</p> <p>22 there's a study being done to estimate what is the</p> <p>23 current funding status of the pension funds.</p> <p>24 Q. Did you discuss with him outside the presence of</p> <p>25 counsel the cost of health care to the retired City</p>	<p style="text-align: right;">Page 63</p> <p>1 A. I believe he did.</p> <p>2 Q. And you guys all had that understanding before the</p> <p>3 bankruptcy was filed, correct?</p> <p>4 A. Yes.</p> <p>5 Q. And was it your understanding in the course of the</p> <p>6 restructuring of the City of Detroit that a proposal</p> <p>7 was made on June 14th to address those liabilities?</p> <p>8 A. I attended that and I probably flipped through the</p> <p>9 book during the presentation, and I believe there</p> <p>10 was an area that covered that topic, yes.</p> <p>11 Q. And would you describe the treatment of the claims</p> <p>12 of the pensions and retirement systems as being</p> <p>13 diminished or impaired under that proposal?</p> <p>14 A. I'd like to see it before I comment on it.</p> <p>15 Q. You'd like to see the proposal?</p> <p>16 A. The language in there, yeah.</p> <p>17 Q. While they're looking for it, do you know -- if you</p> <p>18 look at -- and I'm sorry, everybody's seen this, but</p> <p>19 it has been previously marked as Snyder 3, and this</p> <p>20 is the June 14th proposal for creditors.</p> <p>21 And if you turn to page 109 there is a</p> <p>22 underlined bullet point on treatment of pensions.</p> <p>23 MR. WERTHEIMER: Just for the record,</p> <p>24 that's one or another of us line. It isn't on the</p> <p>25 original document.</p>
<p style="text-align: right;">Page 62</p> <p>1 employees and the impact of that on the City's</p> <p>2 finances going forward?</p> <p>3 A. I'm sure we did.</p> <p>4 Q. Did you discuss with him the fact that Section 24 of</p> <p>5 the State --</p> <p>6 MR. WERTHEIMER: Article 9 Section 24.</p> <p>7 BY MR. SHERWOOD:</p> <p>8 Q. Article 9 Section 24 of the Michigan Constitution</p> <p>9 provided that financial benefits of each pension</p> <p>10 plan and retirement system shall not be diminished</p> <p>11 or impaired?</p> <p>12 A. There was a general understanding that there was a</p> <p>13 constitutional protection of pensions that was</p> <p>14 understood by folks from day one. So I think it</p> <p>15 would be a premise of all discussions that were had.</p> <p>16 Q. That was something that you understood, right?</p> <p>17 A. I understood that there was a constitutional</p> <p>18 provision, yes.</p> <p>19 Q. And based on your discussions with Mr. Orr, did you</p> <p>20 understand that he understood the constitutional</p> <p>21 protection?</p> <p>22 A. I'm -- I believe he understood there was a provision</p> <p>23 in the Michigan Constitution that addressed this</p> <p>24 issue.</p> <p>25 Q. And certainly the Governor understood that as well?</p>	<p style="text-align: right;">Page 64</p> <p>1 MR. SHERWOOD: Yeah.</p> <p>2 THE WITNESS: I recall this and my memory</p> <p>3 is that the intent of this document was to lay out</p> <p>4 the facts for the creditors so that they could</p> <p>5 understand the financial condition of the City.</p> <p>6 BY MR. SHERWOOD:</p> <p>7 Q. Can I have it back? Oh, you lost the page.</p> <p>8 A. Sorry.</p> <p>9 Q. That's okay, I'll find it.</p> <p>10 But it does say at the bottom of page 109</p> <p>11 that "Given the underfunding amount, there must be</p> <p>12 significant cuts in accrued vested pension amounts</p> <p>13 for both active and currently retired employees",</p> <p>14 correct?</p> <p>15 A. That's what the document says.</p> <p>16 Q. And would you -- is it your view that the -- that</p> <p>17 significant cuts in accrued vested pension amounts</p> <p>18 for both active and currently retired persons is</p> <p>19 consistent with the Michigan Constitution,</p> <p>20 Section 24?</p> <p>21 A. That's a legal question that in my mind the courts</p> <p>22 will decide.</p> <p>23 Q. Okay. But it's really not a legal question. It's</p> <p>24 pretty obvious that it is a violation of the</p> <p>25 Constitution, isn't it?</p>

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<p>1 A. I don't agree with that.</p> <p>2 MS. NELSON: Objection; argumentative.</p> <p>3 BY MR. SHERWOOD:</p> <p>4 Q. And without giving your -- as a Treasurer, as a</p> <p>5 former Legislator, is it your view or do you agree</p> <p>6 that the proposed treatment on June 14th, 2013,</p> <p>7 providing for cuts in accrued vested pension amounts</p> <p>8 for both active and currently retired persons would</p> <p>9 be violative of Section 24 of the Michigan</p> <p>10 Constitution?</p> <p>11 A. No, because that doesn't provide for it. To my</p> <p>12 mind, and this is how this Governor does business,</p> <p>13 is he hires good people and lets them do their job.</p> <p>14 To me that document was laying out the</p> <p>15 facts for creditors so they could understand the</p> <p>16 financial condition of City.</p> <p>17 Q. So this wasn't a proposal even though it's -- even</p> <p>18 though the title of the document is proposal for</p> <p>19 creditors?</p> <p>20 A. I think he's just laying out the facts. This is the</p> <p>21 economic reality of the City of Detroit. From</p> <p>22 there, as you know, there was various meetings with</p> <p>23 various creditors to discuss can we get this thing</p> <p>24 settled out of court.</p> <p>25 Q. Did you participate in any of those meetings?</p>	<p>1 A. I was mostly just listening because I was getting an</p> <p>2 update about how things were going.</p> <p>3 Q. What was the -- what did he say?</p> <p>4 A. The only specific memory I have would be the one</p> <p>5 dealing with the SWOPS, discussions with the SWOP</p> <p>6 providers and whether or not there could be a</p> <p>7 settlement reached with them.</p> <p>8 Q. What did Mr. Orr say about the SWOPS?</p> <p>9 A. He reached an agreement with two of the SWOP</p> <p>10 providers that he could get a discount on the monies</p> <p>11 owed on the SWOPS, and that's my only memory of a</p> <p>12 specific -- I knew every week that he was meeting</p> <p>13 with various creditors, but that's the only one that</p> <p>14 I remember kind of a specific deliverable for.</p> <p>15 Q. And do you recall anything else about those</p> <p>16 nonprivileged conversations?</p> <p>17 Did he report that the negotiations were</p> <p>18 going well, that they were going poorly, that they</p> <p>19 were not going at all, anything along those lines or</p> <p>20 do you just recall the specific discussion about the</p> <p>21 SWOPS?</p> <p>22 A. Yeah. I -- there was, I think, just general</p> <p>23 comments that they weren't real productive, right,</p> <p>24 that we weren't making progress.</p> <p>25 Q. Did he say why?</p>
Page 66	Page 68
<p>1 A. I don't believe so.</p> <p>2 Q. Were you given reports by the emergency manager as</p> <p>3 to how those meetings were going?</p> <p>4 A. We typically had a weekly either meeting or call</p> <p>5 where we were given an update on the status of</p> <p>6 events.</p> <p>7 Q. Who was on the weekly meeting call?</p> <p>8 A. It would be Kevyn and some of the members from his</p> <p>9 team, various members of the Governor's office as</p> <p>10 well as my office.</p> <p>11 Q. And what was reported in terms of the progress that</p> <p>12 the emergency manager was or wasn't making with the</p> <p>13 out-of-court negotiations?</p> <p>14 MS. NELSON: I'm going to object to the</p> <p>15 extent that it calls for attorney-client</p> <p>16 communications and instruct him not to answer.</p> <p>17 That, in fact, is what it calls for.</p> <p>18 BY MR. SHERWOOD:</p> <p>19 Q. Did you have any communications with Mr. Orr outside</p> <p>20 the presence of counsel --</p> <p>21 A. Yes.</p> <p>22 Q. -- concerning -- concerning negotiations with</p> <p>23 creditors before the Chapter 9?</p> <p>24 A. Yes.</p> <p>25 Q. And what did you say during those communications?</p>	<p>1 A. I'm sure he did, but it would require going through</p> <p>2 each of the various creditors that he met with at</p> <p>3 the time so I don't have specific memories of each.</p> <p>4 The only one I have a specific memory right</p> <p>5 now about would be very difficult discussions with</p> <p>6 the suretys, the insurance companies, a lot of</p> <p>7 unwillingness to embrace what the economic realities</p> <p>8 were, and then a lot of concern about the number of</p> <p>9 retirees and the unions not wanting to represent the</p> <p>10 retirees, making it difficult to negotiate for</p> <p>11 20,000 people.</p> <p>12 Q. Did he say it was impossible to negotiate with all</p> <p>13 of the creditors of the City of Detroit? Did he</p> <p>14 reach that conclusion in your presence?</p> <p>15 A. I don't recall the specific words he used but</p> <p>16 clearly he was expressing that it was very difficult</p> <p>17 to work and negotiate with a pool of creditors that</p> <p>18 include 20,000 individuals, yes.</p> <p>19</p> <p>20 (Deposition Exhibit 5 was marked.)</p> <p>21</p> <p>22 BY MR. SHERWOOD:</p> <p>23 Q. Treasurer Dillon, we've marked as Dillon 5 an email</p> <p>24 from you dated July 9th to the Governor and others.</p> <p>25 Are you familiar with this email?</p>

<p style="text-align: right;">Page 69</p> <p>1 A. Yes.</p> <p>2 Q. And it says that "Kevyn will meet with the Detroit pensions tomorrow after all."</p> <p>3</p> <p>4 I want to ask you about the word after all.</p> <p>5 Was there a suggestion before you wrote this email that Kevyn was not going to meet with the Detroit pensions?</p> <p>6</p> <p>7</p> <p>8 A. Yeah. I think before that there was some thought that that meeting was going to get cancelled.</p> <p>9</p> <p>10 Q. And who was going to cancel it?</p> <p>11 A. My memory is Kevyn might have. There was a lawsuit that was filed that I think caused some</p> <p>12 consternation about whether or not he should meet with them.</p> <p>13</p> <p>14</p> <p>15 Q. So initially Mr. Orr was considering not meeting with the pensions on July 10th, 2013, and then he changed his mind and decided to meet with them?</p> <p>16</p> <p>17</p> <p>18 A. My memory is there was a plan to meet with them, then some lawsuits got filed which I think he contemplated not going forward with the meeting. And from reading this, apparently he went forward with the meeting.</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23 Q. Going down to the last paragraph it says "Tomorrow's meeting could lead to questions directed to you about your view on this topic."</p> <p>24</p> <p>25</p>	<p style="text-align: right;">Page 71</p> <p>1 questions about his view on the Detroit pensions was</p> <p>2 to just say it was too early in the process and you</p> <p>3 were still in the informational stage; is that</p> <p>4 right?</p> <p>5 A. That's right.</p> <p>6 Q. And this was before the Governor authorized Chapter 9 filing, correct?</p> <p>7</p> <p>8 A. Correct.</p> <p>9 Q. Did that -- did your view of the Governor's -- what the Governor's position should be change before July 18th, in the next week?</p> <p>10</p> <p>11</p> <p>12 A. No.</p> <p>13 MR. SHERWOOD: All right. I'm going to stop here, Treasurer. Thank you.</p> <p>14 I reserve the right if we have time to ask a question or two later, but I think as a courtesy to my -- the other lawyers here I'm going to turn over the mic to them.</p> <p>15</p> <p>16</p> <p>17</p> <p>18 Thank you for your testimony this morning. Should we take a quick break?</p> <p>19</p> <p>20 VIDEO TECHNICIAN: Off the record 11:02 a.m.</p> <p>21</p> <p>22</p> <p>23 (A brief recess was taken.)</p> <p>24 VIDEO TECHNICIAN: We're back on the record at 11:06 a.m.</p> <p>25</p>
<p style="text-align: right;">Page 70</p> <p>1 Obviously, you is the Governor, and the</p> <p>2 Governor's view on this topic, I assume this topic is the Detroit pensions. Would that -- is that</p> <p>3 right? Am I right saying those things?</p> <p>4</p> <p>5 A. Right.</p> <p>6 Q. So and then you -- then you say "...it's too early in the process to respond to hypothetical</p> <p>7 questions. We remain in many ways in the informational stage."</p> <p>8</p> <p>9</p> <p>10 Does that mean that at this point in time, July 9th, 2013, you were still in the informational stage vis-a-vis the Detroit pensions?</p> <p>11</p> <p>12</p> <p>13 A. We were learning things. We were learning about an annuity program that the City had offered employees. We were learning that there was alternative</p> <p>14 investments that were made that were not written down. We were learning what assumptions the</p> <p>15 City's actuarial firm was making versus the ones that Milliman was hired to really appreciate and</p> <p>16 understand what was the level of underfunding.</p> <p>17</p> <p>18</p> <p>19 So on that date in question I couldn't tell you that these funds were funded at X percent</p> <p>20 because there was too many moving pieces to the puzzle.</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25 Q. So your advice to the Governor was in response to</p>	<p style="text-align: right;">Page 72</p> <p>1 EXAMINATION</p> <p>2 BY MR. WERTHEIMER:</p> <p>3 Q. Mr. Dillon, my name is Bill Wertheimer. We've met off the record. I'm going to be asking you some</p> <p>4 questions.</p> <p>5</p> <p>6 I represented and represent what we've called the Flowers Plaintiffs. That is one of the</p> <p>7 group of retirees that filed lawsuits in state court before the bankruptcy was filed.</p> <p>8</p> <p>9</p> <p>10 You indicated early in your testimony that you were involved in some discussions shortly after you took office as Treasurer about replacing Public</p> <p>11 Act 72. Do you recall that?</p> <p>12</p> <p>13</p> <p>14 A. Uh-huh. Yes.</p> <p>15 Q. You need to say your answer.</p> <p>16 A. Yes.</p> <p>17 Q. And you talked about competing constitutional provisions, one of them being the constitutional provision relating to public health, safety, welfare, correct?</p> <p>18</p> <p>19</p> <p>20</p> <p>21 A. Correct.</p> <p>22 Q. And as I understand it, your focus at the time had to do with your ability to modify CBAs; is that</p> <p>23 right?</p> <p>24</p> <p>25 A. That's right.</p>

<p style="text-align: right;">Page 73</p> <p>1 Q. Would the competing constitutional provision that 2 you were discussing at the time have been the 3 impairment of contracts provision? 4 A. Yes. 5 Q. So it wasn't the provision dealing specifically with 6 pensions? 7 A. Correct. 8 Q. Am I right? 9 A. Right? 10 Q. Okay, that's what I thought. 11 Do you recall any discussions that dealt 12 with the pension provision in those discussions that 13 led up to Public Act 4? 14 A. Not specifically, and if -- it may have been at the 15 time, but when I look back now my memory is really 16 it was the two competing ones were the impairment of 17 contract and the health, safety and welfare. 18 So not that we never discussed nine, but 19 those were really the two that were the focal point 20 for me, and it's very likely that the other 21 Article 9 provision was discussed as well, but I 22 don't have as much memory about that. 23 Q. You don't have a memory about it. 24 When you were talking after the referendum 25 where Public Act 4 went down and you're now talking</p>	<p style="text-align: right;">Page 75</p> <p>1 kind of a general framework. 2 A. I mean, just generally speaking, Detroit was on our 3 radar when we came in. We knew it was, you know, 4 potentially in trouble. But the first six months I 5 think that the dealings were rather limited. I 6 recall we had some issues regarding Flint and DPS 7 that predated our more active engagement with 8 Detroit. 9 And then Detroit started to experiencing, 10 you know, cash crunches. And one of the consultants 11 we used at DPS, we asked if he would help with 12 Detroit. That was Gora Mahatra (ph.) from Ernst and 13 Young. And really the focus on the early end was 14 just understanding the City's cash position and 15 making certain that they would be able to meet 16 payroll and their essential obligations. 17 And I had always told the Governor that to 18 me kind of the trigger number was if the City got 19 below 50 million in cash, I would come to him at 20 that point and likely recommend that we begin a 21 review, an emergency review. And that was kind of 22 our benchmark is to -- I didn't want to be in a 23 situation where the City got below 50 and then we're 24 starting a review because it might be too late to 25 help the City at that point.</p>
<p style="text-align: right;">Page 74</p> <p>1 about a replacement for that, were there any 2 specific discussions relating to the Article 9 3 provision; that is, the one relating to pensions? 4 A. Not to my memory. 5 Q. Do you recall any consideration at all as to whether 6 you should put any kind of contingencies in the 7 statute in -- at that point in the statute where 8 you're giving the emergency manager or the City the 9 ability to file for bankruptcy? 10 A. I was not part of discussions in that regard, and I 11 was not close to the actual drafting and movement of 12 the legislation through the Legislature. 13 Q. Okay. You have been -- would it be fair to say 14 you've been closely involved in the Detroit 15 situation from the time you took office in January 16 of 2011? 17 A. Yes. 18 Q. Could you briefly tell us what your role has been 19 since then and how that role has changed, briefly, 20 from January of 2011 up to date? 21 A. Yeah. To the best I can, because it goes back a 22 long time. There's been a lot of activities in 23 between. 24 Q. I understand. And we've got underlying documents 25 with dates and stuff and titles, but I just want</p>	<p style="text-align: right;">Page 76</p> <p>1 So on the early end it was a partnership 2 with the City and just working with them, and then 3 when the cash got tight, you know, we moved into the 4 initial -- there was two reviews, right, the initial 5 review which I think happened in '11 that led to a 6 consent agreement and -- 7 Q. And the consent agreement was when, approximately? 8 A. April, I think of '12 -- 9 Q. '12, okay. 10 A. -- is my memory. 11 And so during that, prior to the consent 12 agreement there was a lot of obviously negotiations 13 to get to that point so that we had an understanding 14 and that the City had the ability to address their 15 issues on their own. And then it wasn't until 16 December of '12 where I had a meeting with Chris 17 Andrews, and the City had gone through -- don't hold 18 me to the number -- but tens of millions of dollars 19 of cash from September through December where their 20 disposable cash was eroding rapidly. 21 And immediately after that meeting, I 22 called the Governor and I said I think they're at 23 the \$50 million threshold and I think we have to 24 commence another review immediately. I believe that 25 was because the law had changed. So the initial</p>

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<p>1 review was no longer valid because it was done under</p> <p>2 a prior law. So we initiated the new review in</p> <p>3 December of '12 which led ultimately to the</p> <p>4 emergency manager's appointment.</p> <p>5 Once the manager was appointed our</p> <p>6 day-to-day active role diminished somewhat.</p> <p>7 Q. Let me ask you a question about that.</p> <p>8 Do you have one-on-one conversations with</p> <p>9 Mr. Orr?</p> <p>10 A. Yes.</p> <p>11 Q. How often?</p> <p>12 A. It varies. One-on-ones would be -- it could be</p> <p>13 twice in a week or it could be zero in a week.</p> <p>14 Depends what issues are brewing.</p> <p>15 Q. What about larger discussions with other people</p> <p>16 ever, either in person or telephone conferences?</p> <p>17 How often with Mr. Orr since he's been appointed?</p> <p>18 A. We have a standing meeting on Mondays where it could</p> <p>19 be face-to-face or it could be over the phone where</p> <p>20 it's just a briefing on what happened last week,</p> <p>21 what's happening next week, where are we.</p> <p>22 Q. Has your role stayed essentially the same from the</p> <p>23 time Mr. Orr took over or did it at all change when</p> <p>24 he filed Chapter 9?</p> <p>25 MS. NELSON: Objection; form, foundation.</p>	<p>1 BY MR. WERTHEIMER:</p> <p>2 Q. I'll ask you to exclude any conversations where your</p> <p>3 counsel was present, so either the one-on-ones or if</p> <p>4 in any of these group meetings you did not have</p> <p>5 attorneys present.</p> <p>6 A. I don't have any specific memory of a discussion</p> <p>7 about Article 9 with Mr. Orr.</p> <p>8 Q. How about discussions about the fact that there was</p> <p>9 this state provision that protected pensions?</p> <p>10 A. I'm -- I presume that it was discussed early on and</p> <p>11 it was understood by people that there was this</p> <p>12 provision in the Constitution.</p> <p>13 Q. Including Mr. Orr? That is, I assume you're saying</p> <p>14 that this came up in some way in your conversations?</p> <p>15 A. Yes.</p> <p>16 Q. Okay. Did it also come up in your conversations</p> <p>17 that the only practical way to deal with this issue</p> <p>18 absent getting consent from the 20,000 retirees or</p> <p>19 the unions on their behalf was the filing of a</p> <p>20 Chapter 9?</p> <p>21 A. I don't recall that conversation.</p> <p>22 Q. Isn't that, in fact, your understanding; that is,</p> <p>23 isn't it your understanding as you sit here that the</p> <p>24 only practical way that the State could have dealt</p> <p>25 with the State constitutional provision other than</p>
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<p>1 You said when he took over and then when he filed</p> <p>2 Chapter 9.</p> <p>3 MR. WERTHEIMER: Well, there were two</p> <p>4 different times and I'm just trying to find out</p> <p>5 whether --</p> <p>6 BY MR. WERTHEIMER:</p> <p>7 Q. Go ahead.</p> <p>8 A. I think it's pretty much the same.</p> <p>9 Q. Okay.</p> <p>10 A. When he first came in, we gave him time to find out</p> <p>11 where the desks were and chairs and gave him time to</p> <p>12 assemble and then -- but the weekly standing meeting</p> <p>13 was pretty much a given.</p> <p>14 Q. At either the weekly meetings or in your one-on-one</p> <p>15 conversations with Mr. Orr, have you ever discussed</p> <p>16 with him either the subject of Article 9 Section 24</p> <p>17 of the Constitution specifically or generally the</p> <p>18 fact that the State Constitution does have some</p> <p>19 special protections for pensions?</p> <p>20 Has that subject matter come up in any of</p> <p>21 these conversations?</p> <p>22 MS. NELSON: Objection; attorney-client</p> <p>23 privilege. If you want to go ahead and establish</p> <p>24 whether those conversations occurred with or without</p> <p>25 counsel, then he can appropriately answer.</p>	<p>1 honoring it and the State coming in and making good</p> <p>2 on the pensions was for a bankruptcy to be filed?</p> <p>3 A. Not necessarily.</p> <p>4 Q. How else, as you sit here, do you think it could as</p> <p>5 a practical matter be dealt with?</p> <p>6 MS. NELSON: Objection; calls for a legal</p> <p>7 conclusion.</p> <p>8 BY MR. WERTHEIMER:</p> <p>9 Q. Go ahead, Mr. Dillon.</p> <p>10 A. There's another unit that I referenced earlier that</p> <p>11 has virtually no funding in their pension fund,</p> <p>12 right? So, I mean, my understanding is the law is</p> <p>13 very unsettled here, right?</p> <p>14 Q. Which law?</p> <p>15 A. That the law is unsettled.</p> <p>16 Q. Just the law generally?</p> <p>17 A. Right.</p> <p>18 Q. Go ahead.</p> <p>19 A. So if you have a unit that basically exhausts all of</p> <p>20 their pension monies and then has no means by which</p> <p>21 to honor those pension payments, what happens? I</p> <p>22 can't sit here and tell you, but I've had</p> <p>23 discussions. I've asked for legal advice on what</p> <p>24 happens, and the advice I got was --</p> <p>25 MS. NELSON: It's attorney-client</p>

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<p>1 privilege.</p> <p>2 THE WITNESS: Oh, okay.</p> <p>3 BY MR. WERTHEIMER:</p> <p>4 Q. You know as you sit here -- I'm assuming, I'm</p> <p>5 asking -- that the Attorney General has filed papers</p> <p>6 in the bankruptcy in which he has said that it's his</p> <p>7 legal opinion that Article 9 Section 24 applies in</p> <p>8 the bankruptcy; do you not?</p> <p>9 MS. NELSON: Objection to form and</p> <p>10 foundation. As we indicated yesterday, an Attorney</p> <p>11 General opinion has a specific -- you're saying</p> <p>12 legal opinion.</p> <p>13 MR. WERTHEIMER: Margaret.</p> <p>14 MS. NELSON: You're talking about a brief.</p> <p>15 MR. WERTHEIMER: Margaret, you are entitled</p> <p>16 to make an objection. You are not entitled to</p> <p>17 comment.</p> <p>18 MS. NELSON: Well, your characterization of</p> <p>19 a legal opinion is incorrect. So my objection is</p> <p>20 form, foundation,</p> <p>21 MR. WERTHEIMER: That's fine.</p> <p>22 MS. NELSON: And calls for a legal</p> <p>23 conclusion.</p> <p>24 MR. WERTHEIMER: Thank you.</p> <p>25 BY MR. WERTHEIMER:</p>	<p>1 Q. I understand. That's what I thought you meant.</p> <p>2 Have you had any one-on-one discussions</p> <p>3 with the Governor about -- either specifically about</p> <p>4 Article 9 Section 24 or generally about the fact</p> <p>5 that there is a state constitutional provision that</p> <p>6 protects pensions?</p> <p>7 MS. NELSON: Objection; asked and answered.</p> <p>8 You can go ahead and answer again.</p> <p>9 THE WITNESS: No.</p> <p>10 BY MR. WERTHEIMER:</p> <p>11 Q. The subject has never come up between the two of</p> <p>12 you?</p> <p>13 A. Well, you said one-on-one.</p> <p>14 Q. You're right, I did say one-on-one.</p> <p>15 Has it ever come up in group meetings</p> <p>16 without attorneys present?</p> <p>17 A. And what precisely was that again? Can we --</p> <p>18 Q. A conversation in which you discussed either the</p> <p>19 specifics of Article 9 Section 24 or generally the</p> <p>20 fact that there is a state constitutional provision</p> <p>21 that protects pensions.</p> <p>22 A. I don't recall.</p> <p>23 Q. Do you recall that in early July initially two</p> <p>24 lawsuits were filed against you in your official</p> <p>25 capacity and against the Governor in his that</p>
Page 82	Page 84
<p>1 Q. Could you answer?</p> <p>2 A. I'm aware that the Attorney General has intervened,</p> <p>3 but I haven't read his brief and I don't know the</p> <p>4 position he's taken.</p> <p>5 Q. Haven't you read the press reports?</p> <p>6 A. Yeah.</p> <p>7 Q. And, I mean, you know that the Attorney General's</p> <p>8 position is, would it be fair to say, not consistent</p> <p>9 with the position that Emergency Manager Orr has</p> <p>10 stated publicly to the Detroit Free Press and</p> <p>11 others?</p> <p>12 A. I don't mean to be difficult, but that's an overly</p> <p>13 broad statement because in my mind -- I haven't read</p> <p>14 what the Attorney General is saying. He may be</p> <p>15 acknowledging that this constitutional provision</p> <p>16 exists, which I assume is one position.</p> <p>17 How that's dealt with in a Chapter 9</p> <p>18 proceeding, I don't know if the AG's opined or taken</p> <p>19 a position on that, so I don't know.</p> <p>20 Q. Okay. Has the Attorney General ever communicated to</p> <p>21 you as the head of Treasury the opinion that</p> <p>22 Article 9 Section 24 applies in the bankruptcy?</p> <p>23 A. I haven't discussed this topic with the Attorney</p> <p>24 General. And by that I mean the person, Bill</p> <p>25 Schuette.</p>	<p>1 related to what was going on in Detroit and this</p> <p>2 pension provision we've been asking you about?</p> <p>3 A. That rings a bell.</p> <p>4 Q. Okay. Did you learn -- do you recall whether you</p> <p>5 learned about them the day they were filed? And if</p> <p>6 it helps, they were filed on July 3rd.</p> <p>7 A. I don't know the exact number but I think there are</p> <p>8 give or take a hundred lawsuits against the Governor</p> <p>9 and I related to this topic, so I'm nervous about</p> <p>10 saying I have specific memory on any particular one,</p> <p>11 but --</p> <p>12 Q. You mean among these hundred cases you can't</p> <p>13 differentiate either the Flowers or the Webster case</p> <p>14 or the case that the pension boards brought that</p> <p>15 specifically dealt with the ability of the Governor</p> <p>16 to authorize a bankruptcy in the face of Article 9</p> <p>17 Section 24? You really can't differentiate?</p> <p>18 A. I recall that those suits got filed. The day and</p> <p>19 the time I got notified, I don't recall.</p> <p>20 Q. Okay. Do you recall learning that there was going</p> <p>21 to be a hearing on requests for injunctive relief</p> <p>22 that would have in some way precluded the Governor's</p> <p>23 ability to authorize a bankruptcy and that that</p> <p>24 hearing was scheduled for July 22nd?</p> <p>25 A. I recall that there was a hearing scheduled. I</p>

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<p>1 don't recall the specific date.</p> <p>2 Q. Okay. But you knew about it before the hearing</p> <p>3 itself?</p> <p>4 A. Yes.</p> <p>5 Q. A week, 10 days before?</p> <p>6 A. I don't recall.</p> <p>7 Q. Did you have any discussions internal at Treasury</p> <p>8 about the fact that there was going to be this</p> <p>9 hearing at which a state court judge was going to be</p> <p>10 asked to issue injunctive relief along the lines</p> <p>11 I've suggested?</p> <p>12 MS. NELSON: Objection; attorney-client</p> <p>13 privilege. If you want to sort that out because he</p> <p>14 does have as legal counsel Fred Headen.</p> <p>15 BY MR. WERTHEIMER:</p> <p>16 Q. Again, let's exclude any conversations where your</p> <p>17 attorneys were present for the purpose of either</p> <p>18 giving advice or potentially giving advice.</p> <p>19 Did you have any conversations excluding</p> <p>20 those between the time you learned of the lawsuit</p> <p>21 and learned that there was going to be a hearing</p> <p>22 later in July?</p> <p>23 A. I don't recall any conversations where a lawyer was</p> <p>24 not present for that topic.</p> <p>25 Q. So you were -- and how many conversations did you</p>	<p>1 A. I don't remember the sequence of the dates so -- and</p> <p>2 I wasn't part of that decision so I --</p> <p>3 Q. Okay.</p> <p>4 A. I'd have to see some documents to show, yeah, this</p> <p>5 is the time schedule we discussed on such and such</p> <p>6 date, and I don't remember the date the hearing was</p> <p>7 scheduled on the Flowers case.</p> <p>8 Q. Let me show you what we marked yesterday at the</p> <p>9 Governor's deposition Snyder Exhibit 6, and let me</p> <p>10 just direct your -- I'm going to show it to you but</p> <p>11 I'm going to direct your attention because there's a</p> <p>12 lot of information in the document.</p> <p>13 It looks to me from the upper right as</p> <p>14 though this is a document created the 17th of July,</p> <p>15 which would have been the Wednesday, and it's a</p> <p>16 rollout plan that indicates that the Governor's</p> <p>17 going to sign the authorization 8 p.m. on Thursday</p> <p>18 the 18th, and then the filing is going to be the</p> <p>19 morning of the 19th, and all kinds of events follow</p> <p>20 that up to and including Fox News Sunday and George</p> <p>21 Stephanopoulos and Frank Beckman and you name it.</p> <p>22 A. Uh-huh.</p> <p>23 Q. Let me just ask you have you ever seen that</p> <p>24 document?</p> <p>25 A. I don't have a specific memory of it. I think we</p>
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<p>1 have about that subject matter with lawyers present?</p> <p>2 A. I don't recall, but I would say three or less.</p> <p>3 Q. Okay. Did you at any point learn that the</p> <p>4 Governor's office planned to -- in conjunction with</p> <p>5 the Detroit Emergency Manager planned to file</p> <p>6 bankruptcy the Friday before that Monday hearing or</p> <p>7 July 19th?</p> <p>8 A. I was aware that there was a sequence of events, a</p> <p>9 time schedule for when things would happen. And my</p> <p>10 memory was I wasn't -- I don't know if I wasn't in</p> <p>11 Lansing or I wasn't, you know, having meetings at</p> <p>12 the Governor's office during that window and right</p> <p>13 prior to the filing.</p> <p>14 I wasn't having meetings in those three-</p> <p>15 and four-day window with them, so I knew there was a</p> <p>16 schedule and a timeline, but I wasn't having direct</p> <p>17 discussions with the Governor's office.</p> <p>18 Q. Did you know that the plan was to file for</p> <p>19 bankruptcy before the court hearings?</p> <p>20 A. I -- can you restate the question?</p> <p>21 Q. Yes. Did you at least know that the plan was that</p> <p>22 if the plan went forward, the bankruptcy filing</p> <p>23 would occur before the hearings that were scheduled</p> <p>24 in the cases that had been filed against you and the</p> <p>25 Governor?</p>	<p>1 met that Monday where the timeline was discussed.</p> <p>2 Q. The preceding Monday?</p> <p>3 A. Yeah.</p> <p>4 Q. Which would have been the 15th? Am I right?</p> <p>5 A. I believe so.</p> <p>6 Q. Okay.</p> <p>7 A. I don't know if this got circulated at that meeting</p> <p>8 or was just discussed.</p> <p>9 Q. Well, does it refresh your memory as to what the</p> <p>10 plan was?</p> <p>11 A. Generally speaking, yes.</p> <p>12 Q. Okay. And the plan was to -- the Governor would</p> <p>13 sign it Thursday night and Orr would file on Friday,</p> <p>14 right?</p> <p>15 A. That's my memory.</p> <p>16 Q. Do you recall that the plan changed at the last</p> <p>17 minute?</p> <p>18 A. I believe it may have. Yes. I think it --</p> <p>19 Q. Were you involved in any conversations with anyone</p> <p>20 excluding conversations where attorneys were present</p> <p>21 for the purpose of giving legal advice where anyone</p> <p>22 gave a reason for that change of plan?</p> <p>23 A. I was not present for any of those discussions.</p> <p>24 Q. Did you hear secondhand?</p> <p>25 A. No.</p>

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<p>1 Q. You never heard why Orr moved it up by a day or it 2 was moved up by a day? 3 A. No, and, in fact, it was -- I'd like to look at my 4 schedule because I don't know if I was even in 5 Lansing during those dates. 6 Q. Okay. But you do -- you have no memory as to ever 7 knowing the reason why it was moved up. That's just 8 what I want to know about. 9 A. I've heard speculation on the street. 10 Q. We're not talking about the street, but if the 11 street includes people at Treasury -- 12 A. No. No. 13 Q. -- or people in the Governor's office? 14 A. No one briefed me on why the date moved. 15 Q. Okay. I'm going to show you what we had marked 16 yesterday at the Governor's deposition as Exhibit 8. 17 This is an email from you to the Governor a 18 day before the one that you were previously shown. 19 Could you take a look at that, please. 20 Do you recall sending that email to the 21 Governor? 22 A. Yes. 23 Q. And would I be correct I guess in my arithmetic that 24 last Wednesday would have been July 3rd, as you 25 begin last Wednesday.</p>	<p>1 paragraph, the sentence that reads "I learned today 2 that due to the pension funds recent suits against 3 you and me...", is that a reference -- can you tell 4 me what that's a reference to? 5 A. I don't have a specific recollection about if it was 6 the Flowers suit or not. 7 Q. It may have been? 8 A. Probably was. 9 Q. Probably was. Okay. 10 And in this email you're telling the 11 Governor in the next paragraph that the consultants 12 think that current pensions have to be cut 13 significantly, correct? 14 A. I expressed the view of the consultants, yes. 15 Q. Did you agree with that view? 16 A. To me it was -- there's a lot of -- to value the 17 level of funding of a pension fund requires a lot of 18 assumptions on a lot of different factors, and to me 19 it was very fluid. And I think there was an earlier 20 email we looked at before where I just -- I think my 21 advice to the Governor was let's -- we're in the 22 informational stage, so I viewed it that way. 23 I was troubled though by, for example, the 24 annuity program which I thought was very damning and 25 damaging to the status of the pension funds. You</p>
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<p>1 A. That sounds about right. 2 Q. Okay. And for the record, that's when the Flowers 3 and Webster's cases were filed, on July 3rd. 4 Is that -- would that have been the 5 reason -- would that be the information you learned 6 on that last Wednesday? 7 A. I don't believe so. 8 Q. What was it, if you recall? There's a reference to 9 Detroit consultants, that's why I am -- 10 A. Yeah. No, I think this had to do with the level of 11 funding for the pensions, how it was getting 12 measured. So I was -- the filing of the suit 13 wouldn't tie into this comment about their thought 14 about the impact on the ability to pay pensions. 15 So the number was moving about how well 16 funded the pension plans were, and there were 17 several issues that we were learning about; the 18 annuity program, the failure to write down 19 alternative assets that were on the books, the 20 actuarial assumptions to get to the level of 21 funding, calculus. 22 So there was a lot of activity around the 23 pensions in trying to get our arms around it at that 24 time and -- 25 Q. Do you recall, if you look further down in the first</p>	<p>1 know, The 13th Checks that go out. There's a lot of 2 activities that I thought were doing damage to the 3 pension funds, but until I really knew what the 4 funding status was it was hard to form an opinion 5 about what the impact would be on retirees. 6 Q. Okay. Did you have any personal conversations with 7 the Governor around these issues at this time or was 8 it just the email -- the two emails? 9 A. From reading the one email it looks like I called 10 him. 11 Q. Right. Do you remember whether you just left a 12 message or you had a substantive conversation? 13 A. I think we spoke briefly, yeah. 14 Q. What was the content of that conversation? 15 A. It was one of these issues that was bubbling up that 16 I wanted to get on his radar so -- 17 Q. Do you remember which one? 18 A. I'd have to guess, but it would be in this area that 19 I was referring to. But there was one in 20 particular. 21 Q. Are you referring to the Flowers, Webster litigation 22 or are you referring to this other litigation you've 23 been talking about? 24 A. Not litigation. I think I was referring to the 25 information we were learning about the health of the</p>

<p style="text-align: right;">Page 93</p> <p>1 pension funds.</p> <p>2 Q. Okay. All right.</p> <p>3 Did you have any conversations with the</p> <p>4 Governor about the issue of whether Orr should file</p> <p>5 for bankruptcy say in the couple weeks preceding the</p> <p>6 filing?</p> <p>7 MS. NELSON: Again, are you speaking just</p> <p>8 one-on-one other than attorney-client?</p> <p>9 BY MR. WERTHEIMER:</p> <p>10 Q. One-on-one or in group conversations -- I don't</p> <p>11 want -- I'm not asking you to violate the</p> <p>12 attorney-client privilege. I think you understand</p> <p>13 what we're getting at here.</p> <p>14 A. Yeah.</p> <p>15 Q. So my questions you should assume are modified in</p> <p>16 that respect.</p> <p>17 A. Yeah, so can you restate the question?</p> <p>18 (Reporter read record as follows:</p> <p>19 "Q. Did you have any conversations with the</p> <p>20 Governor about the issue of whether Orr</p> <p>21 should file for bankruptcy say in the</p> <p>22 couple weeks preceding the filing?")</p> <p>23 THE WITNESS: I have a question for my</p> <p>24 lawyer.</p> <p>25 MR. WERTHEIMER: That's fine. If you want</p>	<p style="text-align: right;">Page 95</p> <p>1 you telling the Governor?</p> <p>2 That's -- your attorney's going to object.</p> <p>3 That was three questions.</p> <p>4 A. Okay.</p> <p>5 MS. NELSON: Yes, which one would you like</p> <p>6 him to answer first?</p> <p>7 MR. WERTHEIMER: He can do it in order or</p> <p>8 however he'd like.</p> <p>9 MS. NELSON: Well, I don't know that he's</p> <p>10 going to remember them all by the time he gets to</p> <p>11 the last one.</p> <p>12 THE WITNESS: I mean, to me the building</p> <p>13 block is what's the funded status. And that issue</p> <p>14 was fluid, and I think that's the first issue that</p> <p>15 if you're going to reach a settlement with your</p> <p>16 creditors it's important to understand, all right,</p> <p>17 what's the funding level. From there you can start</p> <p>18 to figure out how do you solve this equation going</p> <p>19 forward. So I was comfortable with that.</p> <p>20 BY MR. WERTHEIMER:</p> <p>21 Q. Well, isn't there a political reason to not</p> <p>22 translate it into the impact on retirees because the</p> <p>23 impact is going to be negative? All we need to do</p> <p>24 is look at the June 14th creditors' proposal to know</p> <p>25 that, don't we?</p>
<p style="text-align: right;">Page 94</p> <p>1 to take a break or just go outside.</p> <p>2 VIDEO TECHNICIAN: Off the record 11:35</p> <p>3 a.m.</p> <p>4 (A brief recess was taken.)</p> <p>5 VIDEO TECHNICIAN: We're back on the record</p> <p>6 at 11:37 a.m.</p> <p>7 THE WITNESS: Yeah, I don't recall any</p> <p>8 conversations with the Governor outside the presence</p> <p>9 of counsel on that topic.</p> <p>10 BY MR. WERTHEIMER:</p> <p>11 Q. Okay. If you take a look at the July 9 -- do you</p> <p>12 have that one in front -- that's five. This one</p> <p>13 here.</p> <p>14 A. Okay.</p> <p>15 Q. And let me direct your attention to the first</p> <p>16 paragraph. You're telling the Governor that the</p> <p>17 emergency manager's going to meet relative to the</p> <p>18 pensions the next day, and then a couple of</p> <p>19 sentences down you say he, meaning Orr, will not</p> <p>20 translate that into an impact on retirees or</p> <p>21 employees' vested rights or what share of monies</p> <p>22 available to unsecured creditors would go to the</p> <p>23 pension plans.</p> <p>24 What was your understanding of why Orr was</p> <p>25 not going to do that? What's the point, and why are</p>	<p style="text-align: right;">Page 96</p> <p>1 MS. NELSON: Objection; form, foundation,</p> <p>2 calls for speculation.</p> <p>3 BY MR. WERTHEIMER:</p> <p>4 Q. Go ahead.</p> <p>5 A. That wasn't my thinking. My thinking was until you</p> <p>6 really know the funding status, it's hard to really</p> <p>7 understand what the impact may be.</p> <p>8 So it was more important to understand that</p> <p>9 first.</p> <p>10 Q. Okay. I have nothing further. Thank you.</p> <p>11 MS. NELSON: Is everybody done?</p> <p>12 MR. SHERWOOD: I have one or two followup,</p> <p>13 but I'll let you go first.</p> <p>14 MS. GREEN: You can go. Do your followup</p> <p>15 first. We'll wait.</p> <p>16 MR. SHERWOOD: Can I use this microphone?</p> <p>17 MS. NELSON: Well, you're the Retiree</p> <p>18 Committee and I don't believe you --</p> <p>19 MR. GALLAGHER: We're not the Committee,</p> <p>20 we're the Retirement Systems.</p> <p>21 MS. NELSON: I'm sorry, the Retirement</p> <p>22 Systems. You did not subpoena -- did not issue a</p> <p>23 subpoena to the Treasurer, and it's my understanding</p> <p>24 the parties that didn't subpoena aren't entitled to</p> <p>25 question.</p>

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<p>1 MR. GALLAGHER: Why would they not be 2 entitled to question? 3 MS. NELSON: Because you didn't subpoena 4 the witness. I thought that was in the judge's 5 order. 6 MR. WERTHEIMER: I've got the judge's 7 order. 8 MS. NELSON: Not the one that we signed. 9 Isn't that in his discovery order, only the parties 10 seeking the discovery? 11 MR. WERTHEIMER: I'm not sure. Let me 12 look. Let me look. 13 MR. SHERWOOD: Do we have to have this on 14 the record? 15 MS. NELSON: No, we don't have to do this 16 on the record. 17 VIDEO TECHNICIAN: Off the record at 11:40 18 a.m. 19 (Discussion held off the record.) 20 VIDEO TECHNICIAN: We're back on the record 21 at 11:43 a.m. 22 RE-EXAMINATION 23 BY MR. SHERWOOD: 24 Q. Treasurer Dillon, Jack Sherwood again for AFSCME. I 25 have just a few follow-up things. It won't be too</p>	<p>1 there was a specific reason other than there's a 2 lengthy process involved with this and it was to 3 deal with that timing. 4 Q. All right. And I think in one of the exhibits the 5 original date reflected the 19th as the proposed 6 filing date. 7 Do you know when the 19th or the 18th was 8 established as the proposed filing date? 9 A. I don't recall. 10 Q. Do you know whether it was before July 1st? 11 A. It was after July 1st. 12 Q. So it's your clear recollection that the 18th or the 13 19th was established as the filing date after 14 July 1st? That's your testimony? 15 A. I don't remember being briefed on a specific date, 16 you know, weeks ahead of time. I remember -- 17 Q. Is it possible that it could have been established 18 as the filing date before July 1st? 19 A. If it was, no one told me about it. 20 Q. Are you familiar with the New Energy to Reinvest 21 Diversity Funds a/k/a the NERD Funds? 22 A. I'm sorry? 23 Q. Are you familiar with an organization called New 24 Energy to Reinvest Diversity, also known as NERDs? 25 A. I'm aware that this fund exists.</p>
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<p>1 much longer, for me anyway. Just following up on 2 the -- 3 MS. NELSON: Famous last words of a lawyer. 4 BY MR. SHERWOOD: 5 Q. Following up on the sequence of events that led to 6 the -- on the bankruptcy filing timeline, you know, 7 there was a -- you talk about this July 18th date 8 and you gave prior testimony that you didn't really 9 know what the impact of Flowers and Webster was on 10 that date. 11 Do you recall that discussion? 12 A. Yes. 13 Q. Do you know what drove the filing date of the 18th 14 in the first place? Was there any compelling reason 15 to file on July 18th that you're aware of? 16 A. We were briefed a few times on the schedule, and 17 the -- just there's a lot of events that have to 18 happen postfiling. So I was briefed on it. I don't 19 recall the specifics other than that the process to 20 go through a nine is lengthy, and there was a desire 21 on the Governor's part if you're going to do this he 22 wants it to be fast and efficient. 23 And so we got briefed on several occasions 24 about a calendar and all the events that would have 25 to follow. So precisely that date, I don't think</p>	<p>1 Q. Do you know what the purpose of the fund is? 2 A. I don't. 3 Q. Do you know whether any of the funds from NERDs, 4 N-E-R-D-s, are being used to fund any expenses of 5 the emergency manager? 6 A. I've read about it in the paper. Rich Baird is 7 closer to that than I am. He may be able to give 8 you more precise information. 9 Q. Do you know any of the major donors for the NERDs 10 Fund? 11 A. No. 12 Q. Do you recall meeting with Al Garrett and Ed McNeil 13 in December of 2012 regarding the City of Detroit? 14 A. I have met with them several times. I have a vague 15 memory of that. 16 Q. And for the record, who are Al Garrett and 17 Ed McNeil? 18 A. Al is the head of AFSCME in Detroit and Ed works for 19 him. 20 Q. Was the last time you met with them December 2012? 21 A. I'm not certain but probably. I think I've seen Ed 22 since then, but I don't recall meeting with Al since 23 then. 24 Q. During that meeting, did you discuss ways to 25 increase revenues for the City of Detroit to satisfy</p>

<p style="text-align: right;">Page 101</p> <p>1 its liabilities?</p> <p>2 A. I don't have specific memory of that, but it sounds</p> <p>3 familiar.</p> <p>4 Q. And at that point in time do you recall that there</p> <p>5 was over \$700 million owed to the City by various</p> <p>6 parties?</p> <p>7 A. I recall that and I recall that we looked into it,</p> <p>8 and the information I got back from my staff is that</p> <p>9 it's virtually uncollectible.</p> <p>10 Q. What did your staff base that conclusion on?</p> <p>11 A. I have a Department of Collections here within</p> <p>12 Treasury so we have some people that are skilled in</p> <p>13 collections, and they looked at what was available</p> <p>14 to Detroit, and the view of the world was that over</p> <p>15 90 percent of these are uncollectible.</p> <p>16 Q. Did you provide Mr. Orr with access to your people</p> <p>17 that worked on collection of this \$700 million?</p> <p>18 A. Indirectly. I mean, we made them available to the</p> <p>19 City. That might have predated Kevyn.</p> <p>20 Q. What is the basis for the conclusion that this money</p> <p>21 is uncollectible?</p> <p>22 A. It'd be a variety of reasons. Agings, can't find</p> <p>23 who owes the money. It would probably be five or</p> <p>24 six different reasons that make up the vast majority</p> <p>25 of that conclusion.</p>	<p style="text-align: right;">Page 103</p> <p>1 the City to manage itself with some of the</p> <p>2 provisions of the agreements were problematic.</p> <p>3 We had -- I don't remember the number of</p> <p>4 issues, but there was substantial number of issues</p> <p>5 that were problematic.</p> <p>6 Q. Did you communicate those issues to the coalition of</p> <p>7 unions?</p> <p>8 A. I don't recall.</p> <p>9 Q. Who did you communicate those issues to?</p> <p>10 A. To the City. I do recall one meeting I had with</p> <p>11 Joe Duncan, but that may have been after the fact</p> <p>12 about this issue. But our communications would have</p> <p>13 been with the City itself.</p> <p>14 Q. Isn't it true that the tentative agreement that the</p> <p>15 City and the unions were working on would have saved</p> <p>16 the City money?</p> <p>17 A. I know that they believed it would.</p> <p>18 Q. And you didn't agree with them?</p> <p>19 A. The advice that I got from the people I had review</p> <p>20 this for me was that we shouldn't support these</p> <p>21 tentative agreements because they won't work. They</p> <p>22 won't help solve the City's problems.</p> <p>23 Q. And, in fact, you didn't -- or the Governor didn't</p> <p>24 support the tentative agreements; isn't that right?</p> <p>25 A. I don't know if the Governor had any role with</p>
<p style="text-align: right;">Page 102</p> <p>1 Q. In February of 2012, were you involved with an</p> <p>2 effort to have a tentative agreement with a</p> <p>3 coalition of unions?</p> <p>4 A. No, but --</p> <p>5 MS. NELSON: That's all you --</p> <p>6 THE WITNESS: No.</p> <p>7 BY MR. SHERWOOD:</p> <p>8 Q. Did you have any discussions or were you aware that</p> <p>9 there was a coalition of unions that were working on</p> <p>10 a tentative agreement in February of 2012?</p> <p>11 A. I was aware that the City was working with their</p> <p>12 unions to negotiate solutions to wage and benefit</p> <p>13 costs.</p> <p>14 Q. What, if any, was your role in connection with that</p> <p>15 Coalition-City negotiation?</p> <p>16 A. My memory is none until they came up with tentative</p> <p>17 agreements.</p> <p>18 Q. What was the view of yourself with respect to the</p> <p>19 tentative agreements?</p> <p>20 A. I had them reviewed by labor experts, and the advice</p> <p>21 that came back to me is that they were not something</p> <p>22 that should be agreed to.</p> <p>23 Q. Why not?</p> <p>24 A. A variety of reasons. That it -- fundamental issues</p> <p>25 about management versus, you know, the ability of</p>	<p style="text-align: right;">Page 104</p> <p>1 respect to the tentative agreements.</p> <p>2 Q. So that was your decision to make?</p> <p>3 A. Yes.</p> <p>4 Q. And you decided not to support these tentative</p> <p>5 agreements with the union, correct?</p> <p>6 A. Correct.</p> <p>7 Q. Even though those tentative agreements might have</p> <p>8 saved the City money?</p> <p>9 MS. NELSON: Objection; asked and answered.</p> <p>10 BY MR. SHERWOOD:</p> <p>11 Q. Do you recall whether health care savings were</p> <p>12 negotiated as part of that tentative agreement with</p> <p>13 the unions?</p> <p>14 A. I'd have to review them to recall that.</p> <p>15 Q. You don't recall whether health care savings for the</p> <p>16 City was part of the tentative agreement</p> <p>17 negotiation?</p> <p>18 MS. NELSON: Asked and answered.</p> <p>19 THE WITNESS: I don't recall.</p> <p>20 MR. SHERWOOD: Okay. I just wanted to make</p> <p>21 sure.</p> <p>22 BY MR. SHERWOOD:</p> <p>23 Q. What about efforts to use amnesty as a means of</p> <p>24 collecting funds by the City, has that been</p> <p>25 explored?</p>

<p style="text-align: right;">Page 105</p> <p>1 A. I believe the City did it. 2 Q. Was it done in 2012? 3 A. I -- I don't recall. 4 Q. Have any -- with respect to \$700 million worth of 5 receivables that we talked about, has any effort 6 been used to use amnesty as a means to collect that 7 money? 8 A. I recall that the City put in place an amnesty 9 program. Whether any of those receivables in that 10 700 million were collected through that program, I 11 can't answer. 12 Q. When was the last time the City implemented an 13 amnesty program? 14 A. I don't know. 15 Q. Was one -- has one been implemented since December 16 2012? 17 A. I know that they did one recently. I don't recall 18 the date. 19 Q. Okay. Now I'm really done. Thank you. 20 EXAMINATION 21 BY MS. GREEN: 22 Q. Hi, Mr. Dillon. 23 A. Hello. 24 Q. I'm Jennifer Green. I represent the Retirement 25 Systems for the City of Detroit.</p>	<p style="text-align: right;">Page 107</p> <p>1 BY MS. GREEN: 2 Q. Do you remember where you were or what time it was 3 that you were reading about this, that the petition 4 had been filed? 5 A. Vague recollection. I was in the Detroit area when 6 I read it. The letter, I believe, was addressed to 7 me so I imagine it came in hard copy, but the first 8 time I read it was online. 9 Q. Would have been that night, do you recall? 10 A. I don't recall. 11 Q. Did you not see the email prior to the filing that 12 had sent the authorization letter? 13 A. I don't recall. 14 Q. Do you recall getting the email with the 15 authorization letter? 16 A. I do not. In fact, I don't know if it came via hard 17 copy or email. 18 Q. You testified earlier that you did not have a role 19 in drafting PA 436. Who was involved in drafting it 20 as far as outside counsel? 21 A. I guess I want to be -- 436? I want to be careful. 22 There was meetings let's say late November, early 23 December with me and some folks on my staff as well 24 as the Governor's office where we talked high level 25 about how could we address some of the issues that</p>
<p style="text-align: right;">Page 106</p> <p>1 Following up with the prior line of 2 questioning, you said you think you were traveling 3 the day the petition was filed; is that correct? 4 A. I don't recall. 5 Q. Do you recall where you were when you first found 6 out the petition was filed? 7 A. No. 8 Q. Were you not aware that day that it was going to be 9 filed? 10 A. I knew from the meeting on the Monday that there was 11 a schedule, and I had no reason to believe that that 12 schedule would change or not change so I was not 13 aware of any changes until after it happened. 14 Q. So was it a surprise when you found out that the 15 petition had indeed been filed? 16 A. It wasn't like there was this iron clad schedule 17 that wasn't movable, so I don't think I really gave 18 it a lot of thought. 19 Q. You mentioned earlier that the first time that you 20 saw the Governor's authorization letter was online 21 on freep dot com. Do you recall? 22 A. (Nodding head up and down.) 23 MR. WERTHEIMER: You need to say your 24 answer. 25 THE WITNESS: Oh. Yes.</p>	<p style="text-align: right;">Page 108</p> <p>1 led to the repeal of PA 4. 2 Once those themes were kind of framed out 3 then it would be handed off to folks on my staff as 4 well as the Governor's staff that moved legislation 5 through the Legislature. And my involvement in any 6 nuance from that point was pretty much over. 7 Q. So you don't know? 8 A. I can name some of the people that were part of 9 that. 10 Q. Oh, okay. Who would that be? 11 A. Howard Ryan on my staff, Brom Stibitz, and the 12 Governor's office I can only guess who it was, but, 13 you know, there's someone responsible for dealing 14 with the Legislature. I assume he was involved. 15 Q. Who was that? 16 A. Dick Posthumus. 17 Q. What about with respect to PA 4; you said you didn't 18 have a role in drafting PA 436 but what about PA 4? 19 A. It would be the same. High level, you know, 20 directional and then pretty much the same team I 21 just described would have been the arms and legs on 22 the ground executing the process through the 23 Legislature. 24 Q. Do you know who outside of the Legislature or 25 outside of the State of Michigan would have been</p>

<p style="text-align: right;">Page 109</p> <p>1 consulted with respect to PA 4?</p> <p>2 A. Well, during the transition -- if it's lawyers can I</p> <p>3 disclose lawyers?</p> <p>4 MS. NELSON: With respect to PA 4, is</p> <p>5 that --</p> <p>6 THE WITNESS: Initial formation of PA 4.</p> <p>7 MS. NELSON: If they're attorney-client</p> <p>8 privileged communications, no, they're privileged.</p> <p>9 THE WITNESS: Yeah. So some were lawyers</p> <p>10 and then some were just people that were on the</p> <p>11 transition advisory board. Like Bob Daddow was</p> <p>12 involved, Mark Murray was on the Treasury transition</p> <p>13 aspect, Brom Stibitz from my staff was involved. I</p> <p>14 don't recall -- Dick Posthumus, I believe, was</p> <p>15 involved. I don't recall others that were</p> <p>16 nonlawyers that were part of the consultants.</p> <p>17 BY MS. GREEN:</p> <p>18 Q. What about restructuring consultants? Did you have</p> <p>19 any restructuring consultants that took part in the</p> <p>20 process?</p> <p>21 A. For PA 4?</p> <p>22 Q. Yes.</p> <p>23 A. I don't recall that.</p> <p>24 Q. Isn't it true that Jones Day actually provided you</p> <p>25 with review and comment of PA 4 at certain times?</p>	<p style="text-align: right;">Page 111</p> <p>1 Q. If there's an email dated 3-2-2012 from Jones Day</p> <p>2 that just said we spoke to someone in Andy's office,</p> <p>3 do you recall those types of conversations back in</p> <p>4 2012?</p> <p>5 A. Can you show me the --</p> <p>6 Q. Yeah. I only have one. We just got it a day ago so</p> <p>7 I apologize, I don't have copies for everyone. We</p> <p>8 copied some of them.</p> <p>9 MR. SHERWOOD: Is it Bate stamped?</p> <p>10 MS. GREEN: It is.</p> <p>11 MR. WERTHEIMER: Can you identify it?</p> <p>12 MS. GREEN: Yeah.</p> <p>13 THE WITNESS: Yeah, the only person I</p> <p>14 recall knowing prior to 2013 from Jones Day was</p> <p>15 Corinne Ball.</p> <p>16 BY MS. GREEN:</p> <p>17 Q. What about Heather Lennox?</p> <p>18 A. I don't think I met her prior to 2013.</p> <p>19 Q. Yeah, can we mark that -- well, the problem is I</p> <p>20 only have one copy and it has my handwriting on it</p> <p>21 because we just got the document, but I can state</p> <p>22 for the record the Bates number if that's</p> <p>23 appropriate. We can have an agreement on that.</p> <p>24 The Bates number is DTMI 00234878 to 880 is</p> <p>25 the last page.</p>
<p style="text-align: right;">Page 110</p> <p>1 A. No.</p> <p>2 Q. Did they write memos to you regarding PA 4 or any of</p> <p>3 the topics related to the pensions or Chapter 9?</p> <p>4 A. I don't recall.</p> <p>5 Q. Were you involved in an RFP process relating to</p> <p>6 either Chapter 9, the pensions or the emergency</p> <p>7 manager law in 2011?</p> <p>8 A. Can you restate the question?</p> <p>9 Q. Were you involved in an RFP process in 2011 relating</p> <p>10 to either PA 4 or the emergency manager law?</p> <p>11 A. We did an RFP process here in Treasury that you</p> <p>12 could say was related to PA 4 to get a short list of</p> <p>13 firms that we could work with when we have a crisis.</p> <p>14 Q. And who were they at that time?</p> <p>15 A. And there's a list we can provide, and I could name</p> <p>16 some of the firms that were on it, but not all.</p> <p>17 Q. Was Jones Day one of the firms that was looked at</p> <p>18 during the 2011 RFP process?</p> <p>19 A. No.</p> <p>20 Q. Is it possible that they would have submitted an RFP</p> <p>21 related to that and you just didn't know about it?</p> <p>22 A. It's possible.</p> <p>23 Q. Do you remember having conversations with Jones Day</p> <p>24 attorneys relating to PA 4 in 2012?</p> <p>25 A. No.</p>	<p style="text-align: right;">Page 112</p> <p>1 MR. SHERWOOD: DTMI 00234.</p> <p>2 MS. GREEN: 878.</p> <p>3 MR. WERTHEIMER: Why don't we just mark it</p> <p>4 and you can identify that it should not include any</p> <p>5 of the underlining and handwriting.</p> <p>6 MS. GREEN: That's fine.</p> <p>7 MS. NELSON: Well, why don't we just have</p> <p>8 her produce one that doesn't have handwriting on it</p> <p>9 and mark it.</p> <p>10 MR. WERTHEIMER: That would be fine too.</p> <p>11 MS. NELSON: And mark it -- what's the next</p> <p>12 one, six?</p> <p>13 (Deposition Exhibit 6 marked post deposition.)</p> <p>14</p> <p>15 MS. GREEN: I do have copies of the next</p> <p>16 one, which we can mark as Exhibit 7.</p> <p>17</p> <p>18 (Deposition Exhibit 7 was marked.)</p> <p>19</p> <p>20 BY MS. GREEN:</p> <p>21 Q. Do you recognize this email?</p> <p>22 A. Yeah. Okay. I mean, I forgot about this but I</p> <p>23 think when we were working on the consent agreement</p> <p>24 we were seeking advice from Huron Consulting and</p> <p>25</p>

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1 Miller Buckfire. They used various law firms on
2 occasion.
3 And in this case, I don't know that I ever
4 actually met Heather other than maybe over the
5 phone, but we were -- through Huron or through
6 Miller Buckfire we were getting advice from various
7 law firms, Jones Day being included.
8 They weren't a vendor to the Treasury
9 Department.
10 Q. And did Jones Day also weigh in on the drafting in
11 preparation of the consent agreement?
12 A. From my reading of this, they did.
13 Q. Do you recall receiving a blackline copy from Jones
14 Day at any time relating to the consent agreement
15 between the City and the State?
16 A. I don't recall. We may have but we had counsel
17 representing us, and this may have been just
18 friendly free advice, but there's other people that
19 can answer that question more precisely than I.
20 Q. Do you recall getting any free advice, any memos
21 given to you by Jones Day during this process?
22 A. I'd have to look in my files to know.
23 Q. Do you know if any of those memos have been produced
24 by the State of Michigan in this case?
25 A. I don't know. I'd have to look.

1 I don't remember walking in with any
2 proposed questions to ask. We did have a huge
3 volume of submissions from each of the firms.
4 Q. And the State is paying in part the professional
5 fees that are being incurred by the City of Detroit
6 in the Chapter 9 process, correct?
7 A. We agreed to pay half of the cost up to five million
8 prior to the bankruptcy filing.
9 Q. And after the bankruptcy filing?
10 A. Then we suspended contributions. There may be one
11 exception to that. I don't recall specifically but
12 there might have been one vendor contract we
13 supported after the filing.
14 Q. Do you know which one that would have been?
15 A. I'd have to check.
16 Q. Were you familiar with an email from the Treasury
17 Department which sent the Milliman report to the
18 local media?
19 A. Can I see it?
20 Q. Yeah. This can be eight.
21 MS. NELSON: Is in your only copy?
22 MS. GREEN: No, there's several in there.
23 MS. NELSON: Are you going to mark it?
24 MS. GREEN: Eight.
25

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1 Q. Would you recall if any of those memos were related
2 to Chapter 9 filing or the pension obligations of
3 the City of Detroit?
4 A. I don't recall any memos covering those topics.
5 Q. During the vetting process for the City of Detroit's
6 restructuring counsel, were you involved in the
7 interview on the 29th of the law firms?
8 A. Yes.
9 Q. I should have restated it. Were you involved in
10 putting together the list of questions that would be
11 asked of the law firms on the 29th?
12 A. I don't believe so.
13 Q. Do you recall the interview topics that were asked
14 of the law firms on the 29th?
15 A. I don't recall. I mean, we had a group I described
16 earlier in the deposition who was there. I think
17 everyone was -- felt free to ask the questions that
18 they had.
19 Q. Do you know who was responsible for putting together
20 the list of interview topics for the law firms at
21 the 29th meeting?
22 A. I don't think it was that structured. I think
23 Miller Buckfire played a significant role in who was
24 invited, and the City worked with them and may have
25 added some names to who was invited.

1 (Deposition Exhibit 8 was marked.)
2
3 BY MS. GREEN:
4 Q. Who is Terry Stanton from the Treasury Department?
5 A. He works for Treasury. He's a public information
6 officer.
7 Q. So he's one of your employees?
8 A. Yes.
9 Q. Have you ever seen the email that's in front of you?
10 A. I don't believe I have.
11 Q. Were you made aware after the fact that Mr. Stanton
12 had leaked the Milliman report to Mr. Pluta?
13 MS. NELSON: Objection; form, foundation to
14 the term leaked.
15 BY MS. GREEN:
16 Q. You can still answer.
17 A. Can you restate the question?
18 Q. My question was were you aware after the fact that
19 even if you didn't see this email, were you aware
20 that Mr. Stanton had provided the Milliman report to
21 the news media?
22 A. I imagine he would have advised me that he did this
23 or was going to do it.
24 Q. So if you read the email it does state that the
25 Milliman report was incomplete at the time that it

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<p>1 was provided to the media, and it states it's being 2 done solely off the record and it's critical this 3 information is not traced back to the Department 4 because it has not been finalized. 5 Is it the practice of the Treasury 6 Department to allow admittedly incomplete 7 information regarding the pensions to be leaked to 8 the media? 9 A. I would say it's unusual. 10 Q. Why would it be critical, as stated in the email, 11 for the Milliman summary that Mr. Stanton had asked 12 for to be deleted and not in connection to the 13 Treasury Department? 14 A. Does it say deleted in here? Oh, yeah. I see. 15 Okay. 16 I assume he didn't want to -- yeah, he 17 thought it was out there with other news media. 18 Rick Pluta must have been asking about it, so he 19 shared with him that which he thought other media 20 outlets probably already had. 21 Q. You mentioned that there was a cap for the fees that 22 the State would pay in connection with the 23 Chapter 9. Have we reached -- 24 A. Actually, you mischaracterized it. 25 Q. I'm sorry, what was your --</p>	<p>1 Q. The last question is relating to Exhibit 5 which has 2 already been marked. It's the July 9th email. 3 The email states "Tomorrow's meeting could 4 lead to questions directed to you about your view on 5 this topic." It's relating to the pension issue. 6 Is that a fair characterization of the 7 email? 8 A. Right. 9 Q. "In my view, it's too early in the process to 10 respond to hypothetical questions. We remain in 11 many ways in the informational stage. I have some 12 thoughts as to how you could address some pointed 13 questions if you're interesting in hearing them." 14 What pointed questions were you expecting? 15 A. Anything from -- well, going back in time here, but 16 just obviously the whole gamut of questions 17 regarding what the underfunding status could mean to 18 retirees, and I thought that the situation was not 19 understood enough for the Governor to go on record 20 yet because I couldn't even tell him with any degree 21 of confidence what level of funding these pension 22 funds had, so why should he get in the middle of a 23 debate about this. It's obviously a very charged 24 and sensitive issue, and it was my free political 25 comments to him.</p>
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<p>1 A. We offered to pay 50 percent of consulting fees 2 prior to the filing. 3 Q. Up to five million? 4 A. Up to five million. 5 Q. And so in June of 2013 that would have been prior to 6 the filing and the State was still contributing to a 7 portion of those fees, correct? 8 A. I believe so. 9 Q. We can mark this as Exhibit 9. 10 11 (Deposition Exhibit 9 was marked.) 12 13 BY MS. GREEN: 14 Q. Do you recall sending this email? 15 A. I do. 16 Q. Is it safe to say the five million dollar cap has 17 been maxed out? 18 A. What I was reviewing was both the forecast as well 19 as the historical, so I was looking at more than 20 just the history. 21 Q. So what is the summary of fees that you were 22 referring to? 23 A. We were given an estimate of what the fees were 24 looking like and I reviewed it and wasn't very 25 happy.</p>	<p>1 Q. And this was really just over a week before the 2 filing. That was your stance? 3 A. Yeah. I don't -- yeah, obviously. But I don't -- I 4 think it was in the context of this meeting that 5 Kevyn was going to have with the committee that 6 drove this email. 7 Q. Did anything change between the ninth and the filing 8 on the 18th that changed your opinion regarding what 9 you, I believe, just stated was too early to tell 10 him with any degree of confidence what level of 11 funding the pension funds had I believe is what you 12 just stated. 13 A. Yeah, I have not -- my opinion is pretty much the 14 same. 15 Q. The last sentence of the email says "I have some 16 thoughts as to how you could address some pointed 17 questions if you're interesting in hearing them." 18 What were your ideas for how to answer the 19 questions? 20 A. I don't recall specifically at this point. 21 Q. Did you ever have a conversation with him regarding 22 your thoughts on how to answer the questions? 23 A. No. 24 Q. You mentioned in the email "Because pensions have 25 such a long life there are a lot of creative options</p>

<p style="text-align: right;">Page 121</p> <p>1 we can explore to address how they will be treated</p> <p>2 in restructuring."</p> <p>3 What were your creative options that you</p> <p>4 had on the table?</p> <p>5 A. There's dozens. I mean, I don't have one that I</p> <p>6 would pick out. But pension funds do have a long</p> <p>7 life and there's a lot of creative things that can</p> <p>8 be done, so I -- I don't have one or two that I</p> <p>9 would just throw out, but I do know that there's a</p> <p>10 lot of ways to address that issue.</p> <p>11 Q. Have there been any formal reports or proposals</p> <p>12 identifying and explaining what you consider to be</p> <p>13 these creative options?</p> <p>14 A. No.</p> <p>15 Q. Were these creative options ever explored with the</p> <p>16 pension systems directly --</p> <p>17 A. Not to my knowledge.</p> <p>18 Q. -- to my knowledge?</p> <p>19 I don't have any further questions.</p> <p>20 MR. SHERWOOD: Anybody else have questions?</p> <p>21 MR. WERTHEIMER: I do not.</p> <p>22 RE-EXAMINATION</p> <p>23 BY MR. SHERWOOD:</p> <p>24 Q. I have one question about D-7, which I hadn't seen</p> <p>25 before the deposition. It's an email to you from</p>	<p style="text-align: right;">Page 123</p> <p>1 power of the Financial Control Board and insulate</p> <p>2 those powers from being attacked in the event PA 4</p> <p>3 was repealed?</p> <p>4 A. I don't know if buttress is the right word. If</p> <p>5 you're going to put in place all the structuring and</p> <p>6 negotiate a consent agreement with the City, there's</p> <p>7 other ways -- other legal basis to do that through</p> <p>8 interlocal agreements. There's other laws that we</p> <p>9 could look to that would give us the authority to</p> <p>10 have this agreement have meaning to it.</p> <p>11 So the thought was, you know, identify all</p> <p>12 those legal arguments that would give legal standing</p> <p>13 to the Financial Advisory Board and the consent</p> <p>14 agreement is my memory.</p> <p>15 MR. SHERWOOD: That's all.</p> <p>16 MS. NELSON: All right, we're done. Thank</p> <p>17 you.</p> <p>18 THE WITNESS: Thank you.</p> <p>19 VIDEO TECHNICIAN: Deposition has concluded</p> <p>20 at 12:23 p.m.</p> <p>21 (Deposition concluded at 12:23 p.m.)</p> <p>22 - - -</p> <p>23</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 122</p> <p>1 Heather Lennox.</p> <p>2 I just want to know what your understanding</p> <p>3 of the sentence "Many provisions in here are</p> <p>4 designed to take advantage of PA 4 while it is still</p> <p>5 in existence, but this also references other state</p> <p>6 laws that would buttress the FCB and PCA powers..."</p> <p>7 What is FCB -- what is your understanding</p> <p>8 of what FCB and PCA powers, what that means?</p> <p>9 A. FCB I don't know. She might be referring to</p> <p>10 Financial Control Board, but as opposed to the FAB</p> <p>11 I'm surmising.</p> <p>12 PCA is not ringing a bell either.</p> <p>13 Q. At this time there was a Financial Control Board in</p> <p>14 existence, right?</p> <p>15 A. No, I think that -- well, I think it was part of the</p> <p>16 financial stability agreement, the creation of the</p> <p>17 FAB, I think.</p> <p>18 Q. And PCA, you don't know what that means?</p> <p>19 A. I'm not recalling offhand, no.</p> <p>20 Q. Was it -- did you express a desire to buttress the</p> <p>21 powers of the Financial Control Board and insulate</p> <p>22 those powers from attack in the event of a repeal?</p> <p>23 A. Can you restate the question? I'm sorry.</p> <p>24 Q. Was it -- were you interested at this point in time,</p> <p>25 in March of 2012, to take steps to buttress the</p>	<p style="text-align: right;">Page 124</p> <p>1 CERTIFICATE</p> <p>2 STATE OF MICHIGAN } 3 COUNTY OF OAKLAND } ss: 4</p> <p>5 I, LAUREL A. JACOBY, Certified Shorthand</p> <p>6 reporter, a Notary Public, hereby certify that I recorded</p> <p>7 in shorthand the examination of TREASURER ANDREW DILLON,</p> <p>8 the deponent in the foregoing deposition; and that prior</p> <p>9 to the taking of said deposition the deponent was first</p> <p>10 duly sworn, and that the foregoing is a true, correct and</p> <p>11 complete transcript of the testimony of said deponent.</p> <p>12 I further certify that no request was made for</p> <p>13 submission of the transcript to the deponent for reading</p> <p>14 and signature and that no such submission was made.</p> <p>15 I also certify that I am not a relative or</p> <p>16 employee of a party or an attorney for a party; or</p> <p>17 financially interested in the action.</p> <p>18</p> <p>19</p> <p>20 <u>LAUREL A. JACOBY, CSR-5059, RPR</u></p> <p>21</p> <p>22 Notary Public, Oakland County, Michigan</p> <p>23 My commission expires: 9/1/18</p> <p>24 Dated: This 13th day of October, 2013.</p> <p>25</p>

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EXHIBIT C

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<p>1 IN THE UNITED STATES BANKRUPTCY COURT</p> <p>2 EASTERN DISTRICT OF MICHIGAN</p> <p>3 SOUTHERN DIVISION</p> <p>4</p> <p>5 In re Chapter 9</p> <p>6 CITY OF DETROIT, MICHIGAN, Case No. 13-53846</p> <p>7 Debtor. Hon. Steven W. Rhodes</p> <p>8 _____/</p> <p>9</p> <p>10 DEPONENT: MAYOR DAVE BING</p> <p>11 DATE: Monday, October 14, 2013</p> <p>12 TIME: 10:27 a.m.</p> <p>13 LOCATION: CITY OF DETROIT MAYOR'S OFFICE</p> <p>14 2 Woodward Avenue</p> <p>15 11th Floor Conference Room</p> <p>16 Detroit, Michigan</p> <p>17 REPORTER: Jeanette M. Fallon, CRR/RMR/CSR-3267</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 APPEARANCES (continued):</p> <p>2</p> <p>3 COHEN WEISS AND SIMON LLP</p> <p>4 By: Joshua J. Ellison</p> <p>5 330 West 42nd Street</p> <p>6 New York, NY 10036.6979</p> <p>7 212.356.0216</p> <p>8 Appearing on behalf of UAW</p> <p>9</p> <p>10 LOWENSTEIN SANDLER LLP</p> <p>11 By: Sharon L. Levine</p> <p>12 65 Livingston Avenue</p> <p>13 Roseland, NJ 07068</p> <p>14 973.597.2374</p> <p>15 Appearing on behalf of AFSCME</p> <p>16</p> <p>17 CLARK HILL PLC</p> <p>18 By: Jennifer K. Green</p> <p>19 500 Woodward Avenue, Suite 3500</p> <p>20 Detroit, MI 48226</p> <p>21 313.965.8384</p> <p>22 Appearing on behalf of Retirement Systems</p> <p>23</p> <p>24</p> <p>25</p>
Page 2	Page 4
<p>1 APPEARANCES:</p> <p>2</p> <p>3 JONES DAY</p> <p>4 By: Thomas Cullen</p> <p>5 Dan T. Moss</p> <p>6 51 Louisiana Avenue, NW</p> <p>7 Washington, D.C. 20001.2113</p> <p>8 202.879.3939</p> <p>9 Appearing on behalf of the Debtor</p> <p>10</p> <p>11 DENTONS US LLP</p> <p>12 By: Anthony B. Ullman</p> <p>13 620 Fifth Avenue</p> <p>14 New York, NY 10020.2457</p> <p>15 212.632.8342</p> <p>16 Appearing on behalf of Official Committee of Retirees</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 APPEARANCES (continued):</p> <p>2</p> <p>3 WILLIAMS WILLIAMS RATTNER & PLUNKETT PC</p> <p>4 By: Ernest J. Essad, Jr.</p> <p>5 380 N Old Woodward Ave Ste 300</p> <p>6 Birmingham, MI 48009</p> <p>7 248.642.0333</p> <p>8 Appearing on behalf of FGIC</p> <p>9</p> <p>10 CITY OF DETROIT LAW DEPARTMENT</p> <p>11 By: Portia L. Roberson</p> <p>12 2 Woodward Avenue, Suite 500</p> <p>13 Detroit, Michigan 48226</p> <p>14 313.237.3018</p> <p>15 Appearing on behalf of the City of Detroit,</p> <p>16 Residents of the City, Mayor's Office and City Council</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24 ALSO PRESENT:</p> <p>25 Patrick Murphy, videographer</p>

<p>1 TABLE OF CONTENTS Page 5</p> <p>2</p> <p>3 WITNESS PAGE</p> <p>4</p> <p>5 MAYOR DAVE BING</p> <p>6 Examination by Mr. Ullman 7</p> <p>7 Examination by Mr. Ellison 98</p> <p>8 Examination by Ms. Levine 100</p> <p>9</p> <p>10</p> <p>11 EXHIBITS</p> <p>12</p> <p>13 NUMBER IDENTIFICATION PAGE</p> <p>14</p> <p>15 Exhibit 1 Email from Andrews to Bing, 12/6/12 16</p> <p>16 Exhibit 2 Emails dated 11/27/12 40</p> <p>17 Exhibit 3 City of Detroit Restructuring Plan, 50</p> <p>18 March 23, 2012</p> <p>19 Exhibit 4 Comprehensive Annual Financial Report, City of Detroit, for its fiscal year-ended June 30, 2012, two pages 62</p> <p>20</p> <p>21</p> <p>22 Exhibit 5 Email from Andrews to Bing, 7/10/13 74</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 Williams, Rattner & Plunkett, on behalf of the FGIC. Page 7</p> <p>2 MR. CULLEN: Tim Cullen, Jones Day, for the</p> <p>3 City and the Emergency Manager.</p> <p>4 MS. ROBERSON: Portia Roberson, corporation</p> <p>5 counsel for the City of Detroit, for Residents of the</p> <p>6 City, Mayor's Office and City Council.</p> <p>7 MR. MOSS: Dan Moss, Jones Day, for the</p> <p>8 City.</p> <p>9 MAYOR DAVE BING</p> <p>10 was thereupon called as a witness herein, and after having</p> <p>11 first been duly sworn to tell the truth, the whole truth,</p> <p>12 and nothing but the truth, was examined and testified as</p> <p>13 follows:</p> <p>14 EXAMINATION</p> <p>15 BY MR. ULLMAN:</p> <p>16 Q. Good morning, Mr. Mayor.</p> <p>17 A. Good morning.</p> <p>18 Q. Have you ever been deposed before?</p> <p>19 A. Yes.</p> <p>20 Q. Okay, so I assume you're generally familiar with the</p> <p>21 process, but let me just go over a few ground rules.</p> <p>22 I will ask questions and you will give me answers and</p> <p>23 I would appreciate it if you could wait until I finish</p> <p>24 asking the question before you start giving the answer</p> <p>25 and I'll wait until you answer before asking the next</p>
<p>1 Detroit, Michigan Page 6</p> <p>2 Monday, October 14, 2013</p> <p>3 * * *</p> <p>4 THE VIDEOGRAPHER: We are on the record.</p> <p>5 This is disk one of the video deposition of David Bing</p> <p>6 being taken at number 2 Woodward Avenue, 11th Floor in</p> <p>7 Detroit, Michigan. Today is Monday, October 14th,</p> <p>8 2013, the time is 9:27 (sic) a.m.</p> <p>9 This is in re City of Detroit, Michigan,</p> <p>10 Case Number 13-53846, pending in U.S. Bankruptcy Court</p> <p>11 for the Eastern District of Michigan.</p> <p>12 My name is Patrick Murphy, legal</p> <p>13 videographer, our court reporter today is</p> <p>14 Jeanette Fallon and we both represent Esquire</p> <p>15 Deposition Solutions.</p> <p>16 The attorneys will now introduce themselves</p> <p>17 for the record.</p> <p>18 MR. ULLMAN: This is Anthony Ullman from</p> <p>19 Dentons, counsel for the Official Committee of</p> <p>20 Retirees.</p> <p>21 MR. ELLISON: Josh Ellison from Cohen Weiss</p> <p>22 and Simon LLP, counsel for the UAW.</p> <p>23 MS. LEVINE: Sharon Levine, Lowenstein</p> <p>24 Sandler, for AFSCME.</p> <p>25 MR. ESSAD: Ernest Essad, Williams,</p>	<p>1 question; otherwise, the court reporter can't get Page 8</p> <p>2 things down if both of us are speaking; okay?</p> <p>3 If at any point there's anything in a</p> <p>4 question that I ask that you don't understand, let me</p> <p>5 know and I'll rephrase it and if you don't indicate</p> <p>6 that you don't understand the question, the assumption</p> <p>7 will be that you do; okay?</p> <p>8 A. Sure.</p> <p>9 Q. Okay. Now, you are currently the Mayor of Detroit; is</p> <p>10 that right?</p> <p>11 A. That is correct.</p> <p>12 Q. And when did you -- when were you elected Mayor, when</p> <p>13 did you become Mayor?</p> <p>14 A. I was elected Mayor May 5th, 2009.</p> <p>15 Q. And is it correct that at that time when you were</p> <p>16 elected Mayor that Detroit was in fiscal difficulties?</p> <p>17 A. That would be correct.</p> <p>18 Q. And can you describe just in very general terms, I'm</p> <p>19 not looking for detail, but just generalities what</p> <p>20 steps if any you took to attempt to address that</p> <p>21 situation?</p> <p>22 A. Detroit, when I came in office, was \$330 million</p> <p>23 accumulated deficit over several different years.</p> <p>24 Budget for the 2009 period -- '09 and '10 was already</p> <p>25 in place when I got here. There were several areas</p>

<p style="text-align: right;">Page 9</p> <p>1 that we had to make cuts. Revenue was going south and</p> <p>2 the only way that we thought that we could maintain a</p> <p>3 balanced budget was in cuts. Most of those cuts</p> <p>4 occurred with layoffs and retirements. There were</p> <p>5 some areas over in the transportation area that we</p> <p>6 made some significant improvements, but overall I made</p> <p>7 it very clear that we could not balance our budget</p> <p>8 just with cuts, we had to try to generate revenue and</p> <p>9 that was an ongoing problem.</p> <p>10 Q. So I take it then that as of the end of 2012, Detroit</p> <p>11 was still, notwithstanding the efforts you made, in</p> <p>12 substantial financial difficulties?</p> <p>13 A. That would be correct.</p> <p>14 Q. Now, of course you're aware that Kevyn Orr has been</p> <p>15 appointed the Emergency Manager?</p> <p>16 A. That is correct.</p> <p>17 Q. Did you have any involvement in the selection of</p> <p>18 Mr. Orr as Emergency Manager?</p> <p>19 A. None whatsoever.</p> <p>20 Q. And when was Mr. Orr appointed the Emergency Manager?</p> <p>21 Actually to be technically accurate I believe he was</p> <p>22 first appointed Emergency Financial Manager; is that</p> <p>23 right?</p> <p>24 A. That would be correct.</p> <p>25 Q. Okay, and then he became automatically the Emergency</p>	<p style="text-align: right;">Page 11</p> <p>1 A. I believe that the State had made the decision that</p> <p>2 Orr not only was a leading candidate but was their</p> <p>3 choice.</p> <p>4 Q. And do you know as of that time when you met with</p> <p>5 Mr. Orr in you said mid February were there any other</p> <p>6 candidates that the State was actively considering?</p> <p>7 A. If there were, I didn't know, because I met no one</p> <p>8 else.</p> <p>9 Q. Okay. How was Mr. Orr's name first brought to your</p> <p>10 attention? How did you first come to hear of him</p> <p>11 being a candidate for the Emergency Financial Manager</p> <p>12 or Emergency Manager position?</p> <p>13 A. I was contacted by phone by Rich Baird of the</p> <p>14 Governor's office who said that they thought that they</p> <p>15 had identified a key candidate for the position of</p> <p>16 Emergency Financial Manager, so Rich Baird was the one</p> <p>17 who made contact with him.</p> <p>18 Q. And do you recall when that contact was?</p> <p>19 A. Pardon?</p> <p>20 Q. When, do you recall?</p> <p>21 A. That would have been in late January, early February.</p> <p>22 Q. And did Mr. Baird give you any further information</p> <p>23 about Mr. Orr's background or qualifications for the</p> <p>24 Emergency Financial Manager position?</p> <p>25 A. Yes, he did. He said he had met -- in an interview</p>
<p style="text-align: right;">Page 10</p> <p>1 Manager under the new law; is that right?</p> <p>2 A. Under 436, yes.</p> <p>3 Q. So when, as you understood it, was Mr. Orr selected as</p> <p>4 the Emergency Financial Manager?</p> <p>5 A. I met Mr. Orr in mid February of 2012. I was asked to</p> <p>6 go down and meet him at the law firm of Jones Day in</p> <p>7 Washington, D.C. I met him, spent maybe a half a day</p> <p>8 with him, because he at that time was the leading</p> <p>9 candidate to be selected.</p> <p>10 (Ms. Green enters deposition room.)</p> <p>11 Q. Okay, and did you have an understanding as of that</p> <p>12 time whether Mr. Orr had in fact or a decision had</p> <p>13 been made to appoint Mr. Orr, assuming he took the</p> <p>14 appointment?</p> <p>15 MR. CULLEN: Objection, foundation, form,</p> <p>16 but you can address the question.</p> <p>17 A. I believe Mr. Orr had not made his mind up at that</p> <p>18 point. In my meeting and conversation with him he was</p> <p>19 going through a process to see whether or not, if the</p> <p>20 job was offered to him, whether or not he would</p> <p>21 accept.</p> <p>22 Q. Okay. And what was your understanding as to the</p> <p>23 situation from the other side, from the State side?</p> <p>24 As you understood it, had the State decided that Orr</p> <p>25 was the man they wanted if he took the job?</p>	<p style="text-align: right;">Page 12</p> <p>1 process that I was not a part of, they were</p> <p>2 interviewing counsel for the City and Mr. Orr was part</p> <p>3 of the Jones Day law firm and I think through that</p> <p>4 interview process Baird was impressed with him and,</p> <p>5 therefore, moved down the road to try to select him as</p> <p>6 the candidate.</p> <p>7 Q. And did Mr. Baird at that time give you any</p> <p>8 indications as to what he believed Mr. Orr's</p> <p>9 qualifications were to serve as Emergency Financial</p> <p>10 Manager?</p> <p>11 A. No, he didn't. He said he was impressed with him,</p> <p>12 that he had been part of the bankruptcy team</p> <p>13 representing Chrysler and I guess from that ordeal was</p> <p>14 pretty impressed with him.</p> <p>15 Q. And did you ask Mr. Baird anything else about</p> <p>16 Mr. Orr's qualifications to serve as Emergency</p> <p>17 Financial Manager?</p> <p>18 A. He -- yes, I did, and he felt --</p> <p>19 Q. Thank you.</p> <p>20 A. -- and he felt that not only was he a lawyer that</p> <p>21 dealt with bankruptcy for over 30 years but also had</p> <p>22 some qualifications as it related to restructuring. I</p> <p>23 think it was important to Lansing that the financial</p> <p>24 manager would be of African-American descent. Kevyn</p> <p>25 also I understand was a graduate of the University of</p>

<p style="text-align: right;">Page 13</p> <p>1 Michigan and had some understanding of Detroit and our</p> <p>2 issues, so those were the background qualifications</p> <p>3 that he gave me.</p> <p>4 Q. And did Mr. Baird indicate that Orr had qualifications</p> <p>5 concerning restructuring outside the context of</p> <p>6 bankruptcy?</p> <p>7 A. That would be no.</p> <p>8 Q. Did you ask Mr. Baird anything further about Mr. Orr's</p> <p>9 qualifications?</p> <p>10 A. But they were very generic, the questions that I was</p> <p>11 asking, trying to find out if in fact he was going to</p> <p>12 be selected, you know, how were we going to work</p> <p>13 together, because I was not in support of an Emergency</p> <p>14 Manager.</p> <p>15 Q. And did you ask Mr. Baird how you and the Emergency</p> <p>16 Manager were going to work together during that</p> <p>17 conversation?</p> <p>18 A. The answer would be yes and the conversation was that</p> <p>19 he would be responsible, meaning Kevyn Orr would be</p> <p>20 responsible for really trying to restructure the</p> <p>21 balance sheet in the -- for the City of Detroit and</p> <p>22 that me and my administration would continue to try to</p> <p>23 restructure City government and run the City on a</p> <p>24 day-to-day basis.</p> <p>25 Q. That was the plan or the idea, the concept, in -- this</p>	<p style="text-align: right;">Page 15</p> <p>1 A. The answer would be yes. I've had conversation with</p> <p>2 Kriss and Kriss indicated that he was aware of someone</p> <p>3 that he felt could come in and work with us as an</p> <p>4 Emergency Manager.</p> <p>5 Q. Okay, and just so the record is clear, I made</p> <p>6 reference to Kriss Andrews, you made reference to</p> <p>7 Kriss, who is Kriss Andrews?</p> <p>8 A. Kriss Andrews was the -- his title was director of --</p> <p>9 he actually was COO, but he had a different title.</p> <p>10 I'm trying to remember what that title was now.</p> <p>11 Q. Perhaps program management director?</p> <p>12 A. Director of program management.</p> <p>13 Q. Okay. And he had been brought on by you, is that</p> <p>14 right, or had he been here before you came on?</p> <p>15 A. Kriss was selected by Lansing for that position.</p> <p>16 Q. And do you know when he had been put in that position</p> <p>17 by Lansing?</p> <p>18 A. Kriss came in in May of 2012.</p> <p>19 Q. Is he still in that same position?</p> <p>20 A. Kriss is no longer with City government. He left in</p> <p>21 July of '13.</p> <p>22 Q. And do you know why he left?</p> <p>23 A. He was asked to leave by Lansing.</p> <p>24 Q. Let me show you a document that we'll mark as Bing</p> <p>25 Exhibit 1.</p>
<p style="text-align: right;">Page 14</p> <p>1 was around -- did you say this was in the February</p> <p>2 time frame or January time frame? I forget.</p> <p>3 A. That would have been in the February time frame.</p> <p>4 Q. So that was the concept that was articulated to you in</p> <p>5 the February time frame?</p> <p>6 A. That is correct.</p> <p>7 Q. And is that how things in fact turned out?</p> <p>8 A. That is not how things have turned out.</p> <p>9 Q. Had you yourself -- you were aware prior to the time</p> <p>10 that you were told about Mr. Orr in the conversation</p> <p>11 with Mr. Baird that you just related that there was an</p> <p>12 Emergency Manager that was being sought; correct?</p> <p>13 A. That is correct.</p> <p>14 Q. And had you yourself proposed any candidates for that</p> <p>15 position?</p> <p>16 A. The answer would be no.</p> <p>17 Q. Did you have any discussions with people on your staff</p> <p>18 about possibly proposing one or more candidates for</p> <p>19 that position?</p> <p>20 A. That answer would be no, because I along with my staff</p> <p>21 were not in favor of an Emergency Manager coming on.</p> <p>22 Q. Do you recall any discussions or communications via</p> <p>23 email or otherwise with Kriss Andrews about the</p> <p>24 possibility of proposing a candidate for Emergency</p> <p>25 Manager?</p>	<p style="text-align: right;">Page 16</p> <p>1 (Marked Exhibit No. 1.)</p> <p>2 Q. Are you familiar with what we've marked as Exhibit</p> <p>3 Bing 1, Mr. Mayor?</p> <p>4 A. I am familiar with this document.</p> <p>5 Q. And just for the record it bears Bates numbers DM --</p> <p>6 I'm sorry, DTMI0007955, that's the starting number.</p> <p>7 And it's an email from Kriss Andrews to the Mayor,</p> <p>8 December 6th, 2012.</p> <p>9 Now, before I -- first of all, can you tell</p> <p>10 me what this is? Can you identify this for me?</p> <p>11 A. This is a memo from Kriss Andrews to me recommending</p> <p>12 an individual that he knew that he thought could work</p> <p>13 well with us as we move to an Emergency Manager.</p> <p>14 Q. Did you have a good working relationship with</p> <p>15 Mr. Andrews?</p> <p>16 A. Very good working relationship with, yes.</p> <p>17 Q. And you had previously indicated that you had been</p> <p>18 against the appointment of an Emergency Manager. Why</p> <p>19 was that?</p> <p>20 A. We thought, meaning this administration thought we --</p> <p>21 we could run the City without an Emergency Manager</p> <p>22 coming in.</p> <p>23 Q. Now turning back to Exhibit Bing 1, Mr. Andrews is</p> <p>24 writing this email to you and he starts out with a</p> <p>25 phrase, though the Group did not agree.</p>

<p style="text-align: right;">Page 17</p> <p>1 Do you have an understanding as to what</p> <p>2 Group Mr. Andrews is referring to? And that's Group</p> <p>3 with a capital G.</p> <p>4 A. I think that would have been the representation from</p> <p>5 Lansing.</p> <p>6 Q. And who was in that Group? Was that --</p> <p>7 A. It would have been Rich Baird, it would have been</p> <p>8 Andy Dillon and I'm not sure who else may have</p> <p>9 represented the State.</p> <p>10 Q. And was this Group concerned with the selection of the</p> <p>11 emergency -- or an Emergency Manager?</p> <p>12 A. That would be yes.</p> <p>13 Q. Now, if you go down -- so in this email, as I</p> <p>14 understand it, Mr. Andrews is proposing a candidate</p> <p>15 that he says might be a good fit as Emergency Manager</p> <p>16 who, as he writes, would align with your, meaning the</p> <p>17 Mayor's, reform agenda; right?</p> <p>18 A. That's correct.</p> <p>19 Q. Now, in the third paragraph Mr. Andrews writes, I</p> <p>20 realize he, referring to the candidate being proposed,</p> <p>21 does not meet the standards of what the State would</p> <p>22 want but he would meet the standards of what we would</p> <p>23 want with you firmly in place to pursue your agenda.</p> <p>24 Do you have an understanding of what</p> <p>25 Mr. Andrews is referring to in that paragraph?</p>	<p style="text-align: right;">Page 19</p> <p>1 Q. And do you recall whether the State had a particular</p> <p>2 focus with which you disagreed or that you did not</p> <p>3 think should be the priority?</p> <p>4 A. I don't really recall that.</p> <p>5 Q. Now, Mr. Andrews in his email says, I realize he,</p> <p>6 meaning the candidate attached, does not meet the</p> <p>7 standards of what the State would want.</p> <p>8 Do you have an understanding as to what</p> <p>9 Mr. Andrews is referring to when he writes that this</p> <p>10 person would not meet the standards of what the State</p> <p>11 would want?</p> <p>12 A. I think the standards that he was referring to was</p> <p>13 whatever the State wanted that person to do, that</p> <p>14 person would do it and this person was going to be</p> <p>15 much more aligned with our agenda as opposed to the</p> <p>16 State's.</p> <p>17 Q. And did you have discussions with Mr. Andrews on that</p> <p>18 point?</p> <p>19 A. Yes.</p> <p>20 Q. And is that what he conveyed to you orally as well as</p> <p>21 in writing?</p> <p>22 A. Yes.</p> <p>23 Q. And did you have any discussions with Mr. Andrews as</p> <p>24 to whether Mr. Orr was a person who would essentially</p> <p>25 follow what the State wanted him to do?</p>
<p style="text-align: right;">Page 18</p> <p>1 A. Yeah, I think what he meant is the State -- you know,</p> <p>2 my agenda had been laid out for some time going all</p> <p>3 the way back to 2011 and some of the things that we</p> <p>4 wanted to do and focus on did not necessarily align</p> <p>5 with what the State wanted us to do and Kriss felt</p> <p>6 that this individual would be much more aligned with</p> <p>7 us.</p> <p>8 Q. And in brief can you tell me what some of those items</p> <p>9 were?</p> <p>10 A. You know, we had somewhere around 21 different items</p> <p>11 that the State and our administration agreed upon from</p> <p>12 a restructuring standpoint, but I knew it was</p> <p>13 impossible for us to attack all of those at one time</p> <p>14 and have any success, so I selected about six</p> <p>15 different areas that we should focus on. Number one</p> <p>16 being public safety. Number two, public lighting.</p> <p>17 Number three, public transportation. Number four,</p> <p>18 eradication of blight. And number five, the support</p> <p>19 and maintenance of our recreation and parks system.</p> <p>20 Q. And I take it from your prior answer that the State</p> <p>21 had different priorities?</p> <p>22 A. I think the State had different priorities. They were</p> <p>23 never spelled out to us, if you will. Because of the</p> <p>24 21 that we had agreed upon, I think maybe their focus</p> <p>25 and mine just wasn't aligned.</p>	<p style="text-align: right;">Page 20</p> <p>1 MR. CULLEN: Objection, foundation, form.</p> <p>2 You can address the question.</p> <p>3 A. Kriss at that time had not met Mr. Orr --</p> <p>4 Q. Uh-huh.</p> <p>5 A. -- so I don't think he had a determination one way or</p> <p>6 the other about Mr. Orr.</p> <p>7 Q. And did you have conversations on that topic with</p> <p>8 Mr. Andrews subsequent to the appointment of Orr as</p> <p>9 Emergency Manager?</p> <p>10 A. The answer would be yes.</p> <p>11 Q. Okay, and what was the substance of those</p> <p>12 conversations?</p> <p>13 A. Based on the meeting that I had with Kevyn in</p> <p>14 Washington, he seemed to understand the plight that we</p> <p>15 were facing here in Detroit and seemed to be willing</p> <p>16 to work with us on our agenda.</p> <p>17 Q. And did he ultimately work with you on your agenda?</p> <p>18 A. Not to my satisfaction.</p> <p>19 Q. And did you form an impression as to whether Mr. Orr</p> <p>20 was someone who was essentially willing to do what the</p> <p>21 State wanted him to do?</p> <p>22 MR. CULLEN: Objection, foundation, form.</p> <p>23 A. He was chosen by the State and so he was taking his</p> <p>24 direction from the State.</p> <p>25 Q. And is there anything else that leads you to believe</p>

<p style="text-align: right;">Page 21</p> <p>1 that he was willing to do essentially what the State</p> <p>2 was asking him to do?</p> <p>3 MR. CULLEN: Objection, foundation, form.</p> <p>4 A. The answer would be no.</p> <p>5 Q. I take it from your prior testimony that you never in</p> <p>6 fact proposed this individual that was recommended as</p> <p>7 a possible candidate by Mr. Andrews; is that right?</p> <p>8 A. That would be correct.</p> <p>9 Q. I'm going to show you another document, which was</p> <p>10 previously marked as Exhibit 6 to the deposition of</p> <p>11 Mr. Orr, which commenced on September 16 and was</p> <p>12 continued on October 4th.</p> <p>13 And just so the record is clear, there are</p> <p>14 other documents I'm going to show you that were marked</p> <p>15 as exhibits to the Orr deposition that began on</p> <p>16 September 16 and continued on October 4 and I'm going</p> <p>17 to refer to those just generically as Orr Deposition</p> <p>18 Exhibits and I say that -- we'll use that terminology,</p> <p>19 because there was a prior deposition with Mr. Orr in</p> <p>20 connection with the SWAP issues. So when I refer to</p> <p>21 Orr deposition, it's referring to the ones that were</p> <p>22 done on September 16th and October 4th. Is that okay?</p> <p>23 A. Okay.</p> <p>24 Q. Have you ever seen this Orr Exhibit 6 before, which</p> <p>25 begins with Bates number JD-RD-0000216, or parts of</p>	<p style="text-align: right;">Page 23</p> <p>1 Andrews.</p> <p>2 Q. Okay, and if you look at the first page of the</p> <p>3 document, this is an email from Mr. Baird saying -- by</p> <p>4 the way, just so the record's clear, just tell me</p> <p>5 quickly who Mr. Baird is. We've used his name and</p> <p>6 actually haven't identified him.</p> <p>7 A. He is the advisor to Governor Snyder.</p> <p>8 Q. And in this email dated February 20th, which is to</p> <p>9 Mr. Orr, Baird writes, FYI, the summary of partnership</p> <p>10 prepared by the Mayor from the outline I gave him last</p> <p>11 week.</p> <p>12 So I think you indicated that the summary</p> <p>13 of partnership was actually drafted by Mr. Andrews</p> <p>14 from your office or the COO for the City?</p> <p>15 A. Yes.</p> <p>16 Q. And had Mr. Baird given you an outline previously?</p> <p>17 A. Not an outline, but he did give me some areas that he</p> <p>18 thought we could agree upon.</p> <p>19 Q. Was that in written form?</p> <p>20 A. Yes.</p> <p>21 Q. And that was one of the things that Mr. Andrews used</p> <p>22 to prepare the summary of partnership?</p> <p>23 A. That is correct.</p> <p>24 Q. If you'd look at the first page of this document,</p> <p>25 Mr. Baird is writing about a conversation that he had</p>
<p style="text-align: right;">Page 22</p> <p>1 it?</p> <p>2 A. I have.</p> <p>3 Q. And have you seen the entire document or only parts of</p> <p>4 it?</p> <p>5 A. Parts of it.</p> <p>6 Q. And what part would that be?</p> <p>7 A. That would be the summary of partnership.</p> <p>8 Q. And can you tell me what that is? Can you identify</p> <p>9 that?</p> <p>10 A. The conversation that I had with Rich Baird and made</p> <p>11 reference to as I met with Kevyn, I asked for some</p> <p>12 things that I thought were germane to helping to turn</p> <p>13 the City around and I spoke to Kevyn about that, I</p> <p>14 spoke to Rich Baird about that, and I guess Rich Baird</p> <p>15 and Kevyn spoke after my meeting with Kevyn. So I</p> <p>16 don't remember seeing the front -- this front page</p> <p>17 from Rich Baird.</p> <p>18 Q. Okay, and the document you're referring to is what</p> <p>19 appears on Bates pages 217 and 218; is that right?</p> <p>20 A. That would be correct.</p> <p>21 Q. And this was in fact a summary of partnership document</p> <p>22 that was -- it was not drafted by you; was it?</p> <p>23 A. No, it was not.</p> <p>24 Q. It was given to you by Mr. Baird?</p> <p>25 A. No, this was -- I think this was prepared by Kriss</p>	<p style="text-align: right;">Page 24</p> <p>1 with you. He says, told him, meaning you, Mr. Mayor,</p> <p>2 that there were certain things I would not think we</p> <p>3 could agree to without your, meaning Mr. Orr's,</p> <p>4 review, assessment and determination such as keeping</p> <p>5 the executive team in its entirety.</p> <p>6 Do you have an understanding what that's</p> <p>7 referring to?</p> <p>8 MR. CULLEN: Objection, foundation, form.</p> <p>9 Mr. Baird's note, he's never seen it before.</p> <p>10 Q. You can answer my question, Mr. Mayor.</p> <p>11 A. One of the things that I wanted to keep intact was my</p> <p>12 executive team. It took me a couple years to really</p> <p>13 put that team together and I thought not keeping that</p> <p>14 team together would not be good in terms of helping us</p> <p>15 turn the City around so I wanted to keep my team in</p> <p>16 place.</p> <p>17 Q. Okay, and was Mr. Andrews part of that team?</p> <p>18 A. He was.</p> <p>19 Q. And did you have a discussion about keeping the</p> <p>20 executive team in place with Mr. Baird, as is</p> <p>21 recounted by Mr. Baird in this email?</p> <p>22 A. That would be correct.</p> <p>23 Q. And can you tell me the substance of the conversation</p> <p>24 on that point you had with Mr. Baird?</p> <p>25 A. Once again, because it took such a long time, I didn't</p>

<p>Page 25</p> <p>1 want to see a lot of turnover, additional turnover.</p> <p>2 With an Emergency Manager coming in, if we started</p> <p>3 losing some of our key players that have been there</p> <p>4 with me to put a plan together and then try to execute</p> <p>5 the plan, relieving or dismissing any of those people</p> <p>6 I thought would be a negative, would take us backwards</p> <p>7 and not forward.</p> <p>8 Q. And by this in terms of timing, we had talked before</p> <p>9 about the call or conversation you had with Baird when</p> <p>10 he first told you about Mr. Orr as being considered</p> <p>11 for the Emergency Manager position. The conversation</p> <p>12 we're talking about now, is this part of the same</p> <p>13 conversation or is it subsequent?</p> <p>14 A. Same conversation.</p> <p>15 Q. Okay. And in the email that Mr. Baird writes, he</p> <p>16 says, that Mr. Baird told you during this conversation</p> <p>17 that there were some things that he, Baird, couldn't</p> <p>18 agree to without first getting Orr's approval.</p> <p>19 Do you recall that?</p> <p>20 A. Yes.</p> <p>21 Q. Can you tell me what -- as much as you can about that</p> <p>22 subject matter?</p> <p>23 A. No guarantees in terms of making sure that the</p> <p>24 executive team in its entirety stayed in place with</p> <p>25 their pay level.</p>	<p>Page 27</p> <p>1 MR. CULLEN: Objection, foundation, form.</p> <p>2 A. That is correct. Number 4 I will respond to. Wanted</p> <p>3 to make sure that if I called an executive meeting or</p> <p>4 Mr. Orr called an executive meeting, we wanted to make</p> <p>5 sure that all the key people were invited to the</p> <p>6 meeting and so that, you know, everybody would know</p> <p>7 what was going on. That was number 4.</p> <p>8 As relates to number 5, back in December of</p> <p>9 '12 I had agreed with the Governor in concept that the</p> <p>10 State would lease Belle Isle and run it as a State</p> <p>11 park, which would relieve us from an expense of</p> <p>12 roughly \$6 million a year, it would allow my 38</p> <p>13 recreation department employees to be redeployed to</p> <p>14 other parks across the City and also the State would</p> <p>15 invest somewhere up to 10 to \$20 million to upgrade</p> <p>16 Belle Isle over a three-year period.</p> <p>17 Q. Okay.</p> <p>18 A. I don't know if there were other ones that you --</p> <p>19 Q. Number 6 briefly. This is --</p> <p>20 A. Okay. We had put together over maybe an 18-month</p> <p>21 period with a lot of input from a lot of constituents</p> <p>22 across the City developing the Detroit Future City</p> <p>23 Plan and I wanted to make sure that we didn't just put</p> <p>24 that plan on a shelf somewhere. That with so many of</p> <p>25 our constituents involved in that process we needed to</p>
<p>Page 26</p> <p>1 Q. And did he talk to you specifically about having a</p> <p>2 need to get, as he puts it here, the review,</p> <p>3 assessment and determination from this -- on that</p> <p>4 subject from Mr. Orr? In other words, did he tell you</p> <p>5 that he needed to run that by Orr and get Orr's</p> <p>6 approval?</p> <p>7 A. Yes, he did.</p> <p>8 MR. CULLEN: Objection, foundation, form.</p> <p>9 Q. And did he tell you why he needed to get approval from</p> <p>10 Mr. Orr?</p> <p>11 A. I think he wanted to make sure that Orr was</p> <p>12 comfortable with the staff that was already here.</p> <p>13 Q. Because the Emergency Manager would have the power to</p> <p>14 fire the staff; wouldn't he?</p> <p>15 A. That is correct.</p> <p>16 Q. Now, if you look at some of the items that are on this</p> <p>17 list in the partnership, like number 4, number 5, 6,</p> <p>18 7, what are those? Can you just tell me briefly?</p> <p>19 MR. CULLEN: Objection, foundation, form.</p> <p>20 You want him to go through them one by one, counsel?</p> <p>21 MR. ULLMAN: Yeah, just a brief summary of</p> <p>22 what each of these points is.</p> <p>23 Q. And these are things, as I say, were prepared by</p> <p>24 Mr. Andrews and had been discussed at least in concept</p> <p>25 with Mr. Baird; is that right?</p>	<p>Page 28</p> <p>1 use that as a blueprint to move forward and I never</p> <p>2 got heavily involved with Kevyn on the financial</p> <p>3 initiatives as it relates to reducing the long-term</p> <p>4 liabilities, managing cash flow, achieving the</p> <p>5 long-term sustainable financial stability. He's</p> <p>6 basically taken that upon himself.</p> <p>7 Q. Okay. And what was the Detroit Future City framework</p> <p>8 that's referred to in point six?</p> <p>9 A. It's a booklet, a plan, that was put together over an</p> <p>10 18-month period by -- I don't even -- I think it said</p> <p>11 they had over 30,000 meetings with constituents all</p> <p>12 across the City so everybody had some input into what</p> <p>13 the City's future would look like.</p> <p>14 Q. Okay. And those -- those initiatives, were they --</p> <p>15 let me ask you this more as a question. Were the</p> <p>16 initiatives outlined in that booklet that you</p> <p>17 mentioned intended to assist in reducing long-term</p> <p>18 liabilities and manage cash flow and achieve long-term</p> <p>19 and sustainable financial stability?</p> <p>20 MR. CULLEN: Objection, foundation, form.</p> <p>21 A. I don't believe -- not with any specificity. It was</p> <p>22 more of the areas that we were going to focus on in</p> <p>23 the City, so I don't think it had a lot to do with the</p> <p>24 financial stability of the City.</p> <p>25 Q. Okay. And when had that booklet been put together?</p>

<p style="text-align: right;">Page 29</p> <p>1 Did you say?</p> <p>2 A. It was about six months ago so it was in -- probably</p> <p>3 in March/April of '13.</p> <p>4 Q. Well, this email is dated February of 2013.</p> <p>5 A. That -- that book did not come out for public</p> <p>6 consumption I think until sometime in '13. I think it</p> <p>7 was really the March/April time frame.</p> <p>8 Q. Okay. So at this point in time what you're referring</p> <p>9 to in this draft partnership agreement is something --</p> <p>10 a booklet that had been drafted but had not yet been</p> <p>11 published?</p> <p>12 A. That would be correct.</p> <p>13 Q. Okay. And what is number 7 on this list?</p> <p>14 A. There were a lot of negotiations that had gone on</p> <p>15 prior to Mr. Orr coming on board and we wanted to go</p> <p>16 back and relook at a lot of those initiatives, things</p> <p>17 that we had already been negotiating with labor, but</p> <p>18 once again, I never -- since Kevyn came on board, I</p> <p>19 never sat in another meeting where labor initiatives</p> <p>20 were discussed.</p> <p>21 Q. Now, as of the date of this email, and this is around</p> <p>22 the time of your conversation with Mr. Baird, had you</p> <p>23 spoken with anyone else from the State about Mr. Orr</p> <p>24 as a candidate for the Emergency Manager or Emergency</p> <p>25 Financial Manager position?</p>	<p style="text-align: right;">Page 31</p> <p>1 anything to you on your City email?</p> <p>2 A. No.</p> <p>3 Q. Do you have an understanding as to why Mr. Baird would</p> <p>4 not want to send something to you under City email?</p> <p>5 A. No.</p> <p>6 Q. Who is the personal assistant that's referred to here?</p> <p>7 A. Her name is Sue Ray, R-A-Y.</p> <p>8 Q. And do you recall Ms. Ray getting an email from</p> <p>9 Mr. Baird to set up a meeting between you and Mr. Orr?</p> <p>10 A. I don't recall that. I mean, I knew the meeting, it</p> <p>11 was by phone that Mr. Baird and I talked about going</p> <p>12 down to meet Kevyn.</p> <p>13 Q. I'm going to show you another document which we --</p> <p>14 which was previously marked as Orr Deposition Exhibit</p> <p>15 7.</p> <p>16 And for the record this first page of this</p> <p>17 document bears Bates numbers JD-RD-0000459.</p> <p>18 A. Okay.</p> <p>19 Q. Okay. Mr. Mayor, have you ever seen this document or</p> <p>20 parts of it before?</p> <p>21 A. I don't recall seeing this.</p> <p>22 Q. And if I can direct your attention to the last two</p> <p>23 pages of the document, there's a summary of</p> <p>24 partnership again.</p> <p>25 A. Okay.</p>
<p style="text-align: right;">Page 30</p> <p>1 A. Mostly that was done with Rich Baird, but I do think</p> <p>2 the Governor and I may have had a brief conversation</p> <p>3 in one of our meetings, because Baird had made the</p> <p>4 recommendation to the Governor and I think the</p> <p>5 Governor was receptive to his -- to his</p> <p>6 recommendation.</p> <p>7 Q. And do you recall any discussions with the Governor as</p> <p>8 to the qualifications of Mr. Orr to serve as Emergency</p> <p>9 Financial Manager or Emergency Manager?</p> <p>10 A. No.</p> <p>11 Q. If you turn back to the first page of this Exhibit Orr</p> <p>12 Number 6, in the bottom email on the first page</p> <p>13 Mr. Baird is saying, will broker a meeting via Note</p> <p>14 between you, meaning Mr. Orr, and the Mayor's personal</p> <p>15 assistant who is not FOIAable.</p> <p>16 Do you have an understanding as to what</p> <p>17 that's referring to?</p> <p>18 MR. CULLEN: Objection, foundation, form.</p> <p>19 A. I don't think he wanted to send something on my</p> <p>20 personal email. I don't have -- I should say my City</p> <p>21 email, because I don't have a personal email, so he</p> <p>22 wanted to send it to somebody else, he didn't want to</p> <p>23 send it on a City email.</p> <p>24 Q. Do you ever recall any discussions with Mr. Baird in</p> <p>25 which Mr. Baird indicated that he didn't want to send</p>	<p style="text-align: right;">Page 32</p> <p>1 Q. Do you recall --</p> <p>2 A. This --</p> <p>3 Q. -- seeing specifically the last two pages?</p> <p>4 A. The last two pages, yes.</p> <p>5 Q. Okay. And that is, is it not, a revised version of</p> <p>6 what appears at the end of what we've put in the</p> <p>7 record as Orr Exhibit 6?</p> <p>8 MR. CULLEN: Objection, foundation, form.</p> <p>9 You can address the question.</p> <p>10 A. I have read all of this. I don't know if this is</p> <p>11 different from the other one that we saw.</p> <p>12 Q. Okay, I guess if you look at the date of the last one,</p> <p>13 you'll see it's dated February 18 and this one is</p> <p>14 dated February 21.</p> <p>15 A. Twenty-one.</p> <p>16 MR. CULLEN: Is there a question, counsel?</p> <p>17 Q. Do you see that?</p> <p>18 MR. CULLEN: I beg your pardon?</p> <p>19 MR. ULLMAN: I asked him if he saw the</p> <p>20 dates.</p> <p>21 MR. CULLEN: Okay.</p> <p>22 A. Yes, I see the dates.</p> <p>23 Q. Okay. And I think if you look at the text -- do you</p> <p>24 recall getting an updated version or one or more</p> <p>25 versions of this partnership agreement?</p>

<p>Page 33</p> <p>1 A. Yes.</p> <p>2 Q. And I think if you look at the text, you'll see that</p> <p>3 there are indeed some differences, some of which I'm</p> <p>4 going to ask you about.</p> <p>5 A. Okay.</p> <p>6 Q. First of all, if you look at the first page of this</p> <p>7 exhibit, there's a note from Mr. Orr who says he spoke</p> <p>8 with the Mayor this morning, he's writing as of</p> <p>9 February 22nd, and we're all set to meet Monday</p> <p>10 morning.</p> <p>11 The Monday would be the 25th.</p> <p>12 A. Okay. Yes.</p> <p>13 Q. Okay, did you in fact meet with Mr. Orr on February</p> <p>14 25th, Monday?</p> <p>15 A. If -- yeah, I mean, I think we can go back and track</p> <p>16 my travel day, and yeah, I do remember going then. I</p> <p>17 don't know if it was the 25th or not, but I only went</p> <p>18 there once.</p> <p>19 Q. Okay, so it was around -- that's the meeting that</p> <p>20 Mr. Orr --</p> <p>21 A. Yes.</p> <p>22 Q. -- is referring to in his email?</p> <p>23 A. Yes.</p> <p>24 Q. You said it took place at Jones Day in Washington?</p> <p>25 A. Correct.</p>	<p>Page 35</p> <p>1 attached to Orr Exhibit 7, item 7 has been revised to</p> <p>2 say labor, retiree and benefit initiatives will be</p> <p>3 pursued jointly by the Mayor and the manager to the</p> <p>4 extent permitted by law.</p> <p>5 A. And the question is?</p> <p>6 Q. Okay, do you recall any discussion as to the reason</p> <p>7 for those changes?</p> <p>8 A. No.</p> <p>9 Q. Do you recall any discussion -- let me ask you this.</p> <p>10 Do you have an understanding as to what</p> <p>11 labor, retiree and benefit initiatives are being</p> <p>12 referred to in item 7 of the summary agreement at the</p> <p>13 end of Orr Deposition Exhibit 7?</p> <p>14 A. Yes, I do.</p> <p>15 Q. And what are those?</p> <p>16 A. One of the things that was being discussed even before</p> <p>17 Kevyn came on board was the healthcare cost, which we</p> <p>18 wanted to change. We knew also that we needed to take</p> <p>19 a look at the pension funds. But we had made no</p> <p>20 determination as to what direction that we were going</p> <p>21 to go in.</p> <p>22 Q. And did you have any discussion with Mr. Orr at this</p> <p>23 meeting in DC concerning pension related issues?</p> <p>24 A. No, not to my knowledge, no, I don't remember that.</p> <p>25 Q. In item 7 on this document it refers to initiatives</p>
<p>Page 34</p> <p>1 Q. So you actually physically traveled up to Washington</p> <p>2 to meet with Mr. Orr?</p> <p>3 A. That is correct.</p> <p>4 Q. Is there a particular reason he didn't come down to</p> <p>5 Detroit to meet with you?</p> <p>6 A. I don't know if there was a reason that he wouldn't</p> <p>7 come here. He wasn't -- I guess he felt more</p> <p>8 comfortable with me coming to Washington as opposed to</p> <p>9 his coming here.</p> <p>10 Q. Okay. And do you recall discussing a summary of</p> <p>11 partnership document with Mr. Orr at the meeting?</p> <p>12 A. Yes.</p> <p>13 Q. And let me just ask you in particular about number 7</p> <p>14 here. And if you compare this with a version number 7</p> <p>15 on what's attached to Orr Deposition Exhibit 6, you'll</p> <p>16 see that the earlier version from Exhibit 6 has item 7</p> <p>17 as labor and it says labor initiatives will be pursued</p> <p>18 jointly by the Mayor and the manager.</p> <p>19 A. Just a moment here. Now, give me your question again,</p> <p>20 please.</p> <p>21 Q. If you look at the first version which is attached to</p> <p>22 Orr 6, number 7 says labor initiatives will be pursued</p> <p>23 jointly by the Mayor and the manager?</p> <p>24 A. Uh-huh.</p> <p>25 Q. And if you look at number 7 on the February 21 version</p>	<p>Page 36</p> <p>1 will be jointly pursued to the extent permitted by</p> <p>2 law. Do you have an understanding as to what that</p> <p>3 phrase was referring to?</p> <p>4 A. No, I don't.</p> <p>5 Q. Did you have any discussion with Mr. Orr at the</p> <p>6 meeting in DC as to legal constraints on actions that</p> <p>7 could be taken to address various of the City's</p> <p>8 financial issues?</p> <p>9 A. No.</p> <p>10 Q. Now, this last document is around February 22nd. You</p> <p>11 had said that you had -- you were taking a look at</p> <p>12 issues relating to healthcare and pensions but nothing</p> <p>13 -- no determinations had been made?</p> <p>14 A. That's correct.</p> <p>15 Q. And what -- what avenues, what possibilities, were you</p> <p>16 exploring as regards pensions?</p> <p>17 A. We were looking at the potential of moving everything</p> <p>18 to a 401(k) plan, because we knew that we couldn't</p> <p>19 continue to fund the pension as it had historically</p> <p>20 been funded. It was -- it was obviously hurting us.</p> <p>21 The same thing would be true on the healthcare side.</p> <p>22 We had looked back three or four years where we saw</p> <p>23 the healthcare costs were increasing by double numbers</p> <p>24 on an annualized basis and from an affordability</p> <p>25 standpoint we knew that we could no longer continue to</p>

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1 do that.

2 Q. Now, with respect to the pensions had you given any

3 consideration to how the pension clause in the

4 Michigan Constitution affected your ability to take

5 various actions that you might like to take?

6 A. No.

7 MR. CULLEN: Again -- just going to ask if

8 you had a time frame, counsel, but if it's no, it's

9 no.

10 Q. I'm asking about the time frame we're talking about

11 here as of the end of February of 2013.

12 A. No.

13 Q. At this point in time were you -- I've made reference

14 to the pension clause in the Michigan Constitution.

15 As of February 2013 were you aware of that?

16 Let me withdraw that and ask you, first of

17 all, do you understand what I'm referring to when I

18 use the term pension clause?

19 A. Maybe you want to explain it.

20 Q. Okay. Well, let me show you another document that

21 we've also had marked at the Orr deposition. This is

22 Orr Deposition Exhibit 5. And what we have as Exhibit

23 5 from the Orr deposition is a copy of the Michigan

24 Constitution, Article 9, Section 24.

25 A. Okay.

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1 Q. Have you ever seen that provision before?

2 A. No.

3 Q. You never saw it before today?

4 A. I don't recall it, no.

5 Q. Were you -- prior to seeing it now, were you aware

6 that there is a clause in the Michigan Constitution

7 that provides certain protection for vested pension

8 rights and payments in respect thereof?

9 MR. CULLEN: Objection, foundation, form.

10 You can address the question.

11 A. I think those responsibilities rested with the labor

12 law department. I mean, I didn't get involved in

13 that.

14 Q. So your testimony is similarly that you were

15 completely unaware up till now that there is a clause

16 in the Michigan Constitution that deals specifically

17 with issues pertaining to pensions and payments

18 associated therewith?

19 A. No, I mean --

20 MR. CULLEN: Objection, foundation, form.

21 Q. You can answer the question.

22 MR. CULLEN: You can answer the question,

23 if you can unpack it.

24 THE WITNESS: Yeah.

25 A. I mean, I read in the paper like everybody else, so

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1 this is not -- seeing this here today at this time is

2 not the first time that I'm aware of it. I mean, I've

3 read -- I read the paper.

4 Q. Okay. And were you aware of this clause in the

5 Michigan Constitution at the time while you as Mayor

6 were considering issues that might be taken to lower

7 the pension costs that the City of Michigan -- of

8 Detroit was facing?

9 MR. CULLEN: Objection, foundation, form.

10 You can address the question to the extent you

11 understand it.

12 A. The answer would be no.

13 Q. I think you indicated there was another -- there was a

14 department within the City that was responsible for

15 pension related issues?

16 A. That would be correct.

17 Q. Okay. And who was the head of that?

18 A. What's his -- I'm trying to think of the name right

19 now. I can't -- yes, Lamont Satchel. He heads up our

20 labor law department.

21 Q. And does Mr. Satchel have access to legal advice,

22 legal counsel provided by the City of Detroit?

23 A. I'm sure he does. He's a lawyer himself.

24 Q. And do you recall any discussions with Mr. Satchel as

25 to any constitutional limits on the City's ability to

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1 take steps with respect to pension rights and related

2 payments?

3 MR. CULLEN: Objection, foundation, form,

4 calls for a -- to the extent you're calling beyond the

5 fact of any such conversations, for the substance of

6 any conversations which would be privileged.

7 Q. You can answer the question.

8 A. No, I had none of those conversations with

9 Mr. Satchel.

10 Q. Okay. I'm going to show you another document. This

11 one we will mark as Bing Number 2.

12 (Marked Exhibit No. 2.)

13 A. Okay.

14 Q. Okay, for the record what we've marked as Bing 2 is a

15 chain of emails, this top one is November 27, 2012.

16 Beginning Bates page number is DTMI00079928.

17 Have you ever seen these emails before,

18 Mr. Mayor?

19 A. Yes, I have.

20 Q. And what was the context in which you saw them?

21 A. That Leonard Fleming, who is a reporter for the

22 Detroit News, wanted to write an article on how close

23 we were to bankruptcy, and I think Bob got in contact

24 with Kriss and Kriss put that document -- put this

25 email together for Bob answering the question from the

<p>Page 41</p> <p>1 media.</p> <p>2 Q. Okay. And Mr. Andrews writes in the top email, this</p> <p>3 is recounting his conversation with Leonard Fleming,</p> <p>4 he says, I made the following three major points: The</p> <p>5 first one is we fully intend to be successful without</p> <p>6 the use of bankruptcy.</p> <p>7 Do you have an understanding of what</p> <p>8 Mr. Andrews was referring to there?</p> <p>9 A. Yeah, if we could continue to get the support that we</p> <p>10 needed from the State on our 21 initiatives that we</p> <p>11 agreed upon, we should not have to go the route of</p> <p>12 bankruptcy.</p> <p>13 Q. And did that -- the substance of what you just said</p> <p>14 reflect conversations that you had had with Mr. Kriss</p> <p>15 -- I'm sorry, with Mr. Andrews --</p> <p>16 A. Yes.</p> <p>17 Q. -- apart from the email?</p> <p>18 A. That would be yes.</p> <p>19 Q. So is it correct then that at least as of the date of</p> <p>20 this email, which is November 2012, November 27, 2012,</p> <p>21 the possibility of filing for Chapter 9 had been</p> <p>22 discussed with you and members of your team?</p> <p>23 A. I wasn't part of that, maybe Kriss was part of that,</p> <p>24 but not myself.</p> <p>25 Q. Okay. But you said you were aware that this -- I'm</p>	<p>Page 43</p> <p>1 was Deputy Mayor; I think at that time I'm not sure</p> <p>2 that Chris Brown, I don't remember when he left, but</p> <p>3 Chris Brown was part of that leadership team; and</p> <p>4 Bob Warfield.</p> <p>5 Q. And what was the basis on which the people involved in</p> <p>6 those discussions concluded that the City's finances</p> <p>7 could be redressed without the need to file a Chapter</p> <p>8 9 bankruptcy?</p> <p>9 MR. CULLEN: Objection, foundation, form.</p> <p>10 You can address the question.</p> <p>11 A. We all felt that if we got the kind of resources that</p> <p>12 we needed, the support that we needed from the State,</p> <p>13 that we could manage our way through the catastrophe</p> <p>14 without necessarily going bankrupt, filing for</p> <p>15 bankruptcy.</p> <p>16 Q. And was that through a combination of raising revenue</p> <p>17 and cutting costs?</p> <p>18 A. That would be correct.</p> <p>19 Q. And the proposal -- the means by which you would do</p> <p>20 that or wanted to try to do that, was that set out in</p> <p>21 a document?</p> <p>22 A. There were several different documents that had been</p> <p>23 prepared internally. In terms of raising revenue was</p> <p>24 the collection of taxes, which was a big thing for us,</p> <p>25 but still, I mean, we wanted to go back to the State,</p>
<p>Page 42</p> <p>1 sorry, I thought you said you were aware that the idea</p> <p>2 was to be successful without the need to file</p> <p>3 bankruptcy?</p> <p>4 A. Correct.</p> <p>5 Q. So the possibility of filing bankruptcy had been</p> <p>6 something that had been discussed and I take the</p> <p>7 conclusion was you didn't think you needed to go that</p> <p>8 route?</p> <p>9 A. That would be correct.</p> <p>10 Q. And when did those discussions take place?</p> <p>11 A. I can't -- I mean, it was in -- I'm sure at the end of</p> <p>12 2012 and ongoing up until bankruptcy was actually</p> <p>13 filed.</p> <p>14 Q. And with whom did you have those discussions?</p> <p>15 A. That would have been internally with the leadership</p> <p>16 team, Jack Martin, Kriss, the executive team. None of</p> <p>17 us wanted to go in that direction.</p> <p>18 Q. Who is Jack Martin?</p> <p>19 A. Jack Martin was the CFO.</p> <p>20 Q. And you made reference to a leadership team. Does</p> <p>21 that involve individuals other than Martin and</p> <p>22 Andrews?</p> <p>23 A. It would have involved -- I don't know if -- I don't</p> <p>24 think Portia was part of that at that time; but it</p> <p>25 would have been I think Kirk Lewis was still here, who</p>	<p>Page 44</p> <p>1 we thought that from a cash flow standpoint we saw</p> <p>2 where we were running out of money, we saw where we</p> <p>3 were hitting the wall, we needed some support from the</p> <p>4 State and we did get that to the tune of a</p> <p>5 \$137 million loan that we got. The State was to</p> <p>6 release over time certain amounts of that loan. We</p> <p>7 had to repay I think an \$80 million loan that we had</p> <p>8 prior to the 137. I don't recall all of the details</p> <p>9 right now, but I do know that some of the initiatives</p> <p>10 that we and the State had agreed upon releasing those</p> <p>11 funds was contingent upon us making sure that those</p> <p>12 were deliverables that we could live up to.</p> <p>13 Q. And was the -- did the initiatives that you had --</p> <p>14 that you described and that were proposing entail the</p> <p>15 City of Michigan -- I keep saying that. Let me</p> <p>16 withdraw that and start again.</p> <p>17 Did the initiatives that you described for</p> <p>18 cost cutting, raising revenue, require the City of</p> <p>19 Detroit doing anything that was prohibited by Michigan</p> <p>20 law?</p> <p>21 MR. CULLEN: Objection, foundation, form.</p> <p>22 A. I don't know.</p> <p>23 MR. CULLEN: You're asking for a legal</p> <p>24 conclusion.</p> <p>25 A. I don't know the answer to that.</p>

<p style="text-align: right;">Page 45</p> <p>1 Q. Well, did you -- as part of this initial -- this</p> <p>2 restructuring program, were you aware in any way that</p> <p>3 anything that was being proposed was contrary to the</p> <p>4 laws or Constitution of the State of Michigan?</p> <p>5 A. No.</p> <p>6 Q. And do you recall specifically how if at all the</p> <p>7 pension liabilities were to be dealt with under your</p> <p>8 proposed approach?</p> <p>9 A. No.</p> <p>10 Q. Would that be set out in whatever documents there are</p> <p>11 that describe your initiatives?</p> <p>12 A. I didn't understand your question.</p> <p>13 Q. Would the approach to pensions be set out in whatever</p> <p>14 documents exist that describe the initiatives that</p> <p>15 you've referred to?</p> <p>16 A. Those probably were internal meetings between the CFO</p> <p>17 and the COO and probably people from the labor</p> <p>18 department. Those aren't meetings that I sat in.</p> <p>19 Q. So you don't recall the specifics of how the pension</p> <p>20 issues were --</p> <p>21 A. No.</p> <p>22 Q. -- being dealt with?</p> <p>23 A. No.</p> <p>24 Q. But as you understood it, the City's -- if the</p> <p>25 proposed restructuring, the initiatives that you put</p>	<p style="text-align: right;">Page 47</p> <p>1 A. He was agreeable in working together, but we didn't go</p> <p>2 step by step and say that I agree or I don't agree.</p> <p>3 Q. Okay. So did you have an understanding as when you</p> <p>4 left that meeting in DC whether Mr. Orr had in fact</p> <p>5 agreed to the points that were set out in this summary</p> <p>6 of partnership document?</p> <p>7 MR. CULLEN: Objection, foundation, form.</p> <p>8 A. One of the areas that I do recall and me saying is</p> <p>9 that it made reference to keeping the executive team</p> <p>10 intact. He wanted the opportunity to make an</p> <p>11 assessment himself.</p> <p>12 Q. Okay, and did he make an assessment?</p> <p>13 MR. CULLEN: Objection, foundation, form.</p> <p>14 A. I think over the time that he's been here, I don't</p> <p>15 think he personally made an assessment. I think there</p> <p>16 were others who may have made an assessment and made</p> <p>17 recommendations to him.</p> <p>18 Q. And was your team -- your executive team left intact?</p> <p>19 A. No.</p> <p>20 Q. And who was gotten rid of besides Mr. Andrews, if</p> <p>21 anyone?</p> <p>22 A. Jack Martin is no longer here as the CFO. Karla</p> <p>23 Henderson, who was the group executive for planning</p> <p>24 and development and BC, is no longer here. I think</p> <p>25 before Kevyn came on Kirk Lewis was already gone. I</p>
<p style="text-align: right;">Page 46</p> <p>1 in place went through, you believe that the City would</p> <p>2 be able to survive without bankruptcy and would</p> <p>3 continue to be able to meet its legal obligations?</p> <p>4 MR. CULLEN: Objection, foundation, form.</p> <p>5 A. The answer would be we wanted that opportunity.</p> <p>6 Q. Okay. And you thought that if you had that</p> <p>7 opportunity, you could make it happen; is that right?</p> <p>8 A. That would be correct.</p> <p>9 Q. But you weren't given that opportunity; were you?</p> <p>10 A. That is correct.</p> <p>11 Q. Let me go back to what we've marked as Orr Exhibit --</p> <p>12 that we haven't marked but we've identified as Orr</p> <p>13 Deposition Exhibit 7, which has the proposed summary</p> <p>14 of partnership.</p> <p>15 A. Uh-huh.</p> <p>16 Q. Was this partnership agreement, the document that</p> <p>17 appears here where it has a draft label on it, was</p> <p>18 that ever made final?</p> <p>19 A. Not to my knowledge.</p> <p>20 Q. When you met with Mr. Orr on -- at the end of February</p> <p>21 in DC, you indicated that you discussed this with him,</p> <p>22 though; correct?</p> <p>23 A. Correct.</p> <p>24 Q. And did he tell you that he was -- that he was</p> <p>25 agreeable to it?</p>	<p style="text-align: right;">Page 48</p> <p>1 do think that Chris Brown was already gone. As of</p> <p>2 today our purchasing director is no longer here,</p> <p>3 Andre DuPerry. Richard Kay, who was the director of</p> <p>4 the lighting department, is no longer here. The</p> <p>5 director of DDOT is no longer here. I think there --</p> <p>6 that's right off the top of my head. I think there</p> <p>7 were nine or ten department heads that are no longer</p> <p>8 here.</p> <p>9 Q. And were they asked to leave by Mr. Orr or --</p> <p>10 A. For the most -- for the most part, yes. There was one</p> <p>11 guy who headed up -- he was the director of homeland</p> <p>12 security, he left on his own accord because of the</p> <p>13 environment that he felt he could no longer work in,</p> <p>14 but for the most part all of those other people were</p> <p>15 asked to leave.</p> <p>16 Q. Now -- and are the positions that those people held</p> <p>17 vacant or have they been replaced with other people?</p> <p>18 A. There's a mixed bag, quite frankly. I mean, some of</p> <p>19 them -- I think you got some consultants in some of</p> <p>20 those positions. I mean, I had no input at all. I</p> <p>21 mean, I found out after the fact that either people</p> <p>22 were removed or if somebody was coming in. I had -- I</p> <p>23 never had the opportunity to interview even the new</p> <p>24 CFO who came in, the new COO who came in. Those were</p> <p>25 selected by Kevyn in a vacuum, as far as I'm</p>

<p>1 concerned.</p> <p>2 Q. Moving on past February of 2013, as I recall, the</p> <p>3 official appointment of Mr. Orr as the emergency -- I</p> <p>4 forget whether it was the Emergency Financial Manager</p> <p>5 or Emergency Manager, but it took place sometime</p> <p>6 around the end of March. Is that generally consistent</p> <p>7 with your recollection?</p> <p>8 A. Yeah, I think March 25th was his first day.</p> <p>9 Q. And from the meeting in DC up to March -- say March</p> <p>10 25th, did you have any conversations with Mr. Orr?</p> <p>11 A. I may have had one phone -- one other phone</p> <p>12 conversation with him.</p> <p>13 Q. And do you recall what the substance of that call was</p> <p>14 about?</p> <p>15 A. I think more than anything else it was making sure</p> <p>16 that when he came on board, we were having a press</p> <p>17 conference, introducing him as the Emergency Financial</p> <p>18 Manager and wanted me to stand with he and the</p> <p>19 Governor at that, because we didn't want, quote</p> <p>20 unquote, a divided house, if you will, and I thought</p> <p>21 it was better since an Emergency Manager was coming on</p> <p>22 board, it was no sense in us continuing to fight that.</p> <p>23 If he could be helpful to turn this City around, it</p> <p>24 would be better we do it together.</p> <p>25 Q. So in that phone conversation was there any discussion</p>	<p>1 We knew that this plan was going to negatively impact</p> <p>2 a lot of folks in order for us to move forward with</p> <p>3 implementation, but it was all about trying to manage</p> <p>4 our way through without going to the route of</p> <p>5 bankruptcy.</p> <p>6 Q. And this was a document that was put together by you</p> <p>7 and people on your team; is that right?</p> <p>8 A. That would be correct.</p> <p>9 Q. And I see we've been going for a little over an hour,</p> <p>10 an hour and 20 minutes. It's probably a good time for</p> <p>11 a break, but let me ask you first up to this time this</p> <p>12 is now March 13, towards the -- by the end of March</p> <p>13 had you had any conversations with anyone else from</p> <p>14 the Governor's staff or with the Governor himself</p> <p>15 about Mr. Orr as the Emergency Financial Manager or</p> <p>16 the Emergency Manager?</p> <p>17 MR. CULLEN: Objection, foundation, form.</p> <p>18 You can address the question.</p> <p>19 A. It was obvious to me in this time frame that Lansing</p> <p>20 had made their selection, so, I mean, that's something</p> <p>21 that I couldn't control so it was more important to</p> <p>22 me, once again, to be part of the team to help fix the</p> <p>23 City as opposed to constantly fighting and pushing --</p> <p>24 and pushing back. I didn't think that would get us</p> <p>25 anywhere.</p>
<p>1 of Chapter 9 filing?</p> <p>2 A. No.</p> <p>3 Q. Was there any discussion of anything related to</p> <p>4 pensions?</p> <p>5 A. No.</p> <p>6 Q. I'm going to show you another document, Mr. Mayor,</p> <p>7 which we'll mark as Bing Number 3.</p> <p>8 (Marked Exhibit No. 3.)</p> <p>9 Q. For the record what we've marked as Bing Exhibit --</p> <p>10 what is this, 4? Three. Actually I think we had</p> <p>11 previously marked this as Exhibit 22 to the Orr</p> <p>12 deposition, but since I've forgotten about that, now</p> <p>13 we'll just leave it as Bing Number 3, but I believe it</p> <p>14 is the same document.</p> <p>15 Do you recognize this document, Mr. Mayor?</p> <p>16 A. Yes.</p> <p>17 Q. For the record it's entitled City of Detroit</p> <p>18 Restructuring Plan, dated March 23, begins with Bates</p> <p>19 number DTMI00129416.</p> <p>20 A. Yes.</p> <p>21 Q. And just briefly tell me what this is and I'll ask you</p> <p>22 a few questions about it.</p> <p>23 A. Well, it speaks to the things that we were working on,</p> <p>24 the recommendations that we had put together to get us</p> <p>25 through a very tumultuous time in the City of Detroit.</p>	<p>1 Q. Okay. So after you had your initial conversations</p> <p>2 with Baird in February, you then met with Orr in the</p> <p>3 end -- towards the end of February also in DC, and</p> <p>4 then Orr -- there was an official announcement at the</p> <p>5 end of March saying Orr's the new EM or the new EFM.</p> <p>6 Prior to the meeting in DC and the official</p> <p>7 announcement of Orr, did you have any contact with</p> <p>8 anyone from the State about Mr. Orr's being made the</p> <p>9 Emergency Manager or Emergency Financial Manager?</p> <p>10 A. The answer would be very little, if any, because they</p> <p>11 had the right to make the decision, they made the</p> <p>12 decision, so once again, I would prefer to work with</p> <p>13 the individual seeing what we could do together to fix</p> <p>14 the City, a broken City.</p> <p>15 Q. Okay, so let me just ask more directly. Did you have</p> <p>16 advanced notice before the public announcement that</p> <p>17 the City -- the State was going to come out and make</p> <p>18 an announcement saying Kevyn Orr is our man?</p> <p>19 A. Yes.</p> <p>20 Q. And when were you told?</p> <p>21 A. That had to be in early -- early to mid March.</p> <p>22 Q. And do you remember the specifics of that discussion,</p> <p>23 who told you what was said?</p> <p>24 A. Whether that was Rich Baird or Andy Dillon, it wasn't</p> <p>25 the Governor.</p>

<p style="text-align: right;">Page 53</p> <p>1 Q. And other than them telling you that Orr was the man, 2 did you have any other discussions about Mr. Orr with 3 anyone from the State up till the end of March when 4 the formal announcement was made?</p> <p>5 A. No.</p> <p>6 MR. ULLMAN: Okay, why don't we just take a 7 short break now, because we've been going for awhile.</p> <p>8 THE VIDEOGRAPHER: Okay, we're off the 9 record, 11:40 a.m. This completes disk one.</p> <p>10 (A brief recess was taken.)</p> <p>11 THE VIDEOGRAPHER: We are back on the 12 record at 11:48 a.m. This is disk two of the 13 deposition of David Bing. Please proceed.</p> <p>14 BY MR. ULLMAN:</p> <p>15 Q. Mr. Mayor, I would like you to refer to what we've 16 marked as Bing Exhibit 3 and ask you to turn to the 17 Bates page ending in 421 at the bottom.</p> <p>18 A. Uh-huh.</p> <p>19 Q. I guess before I ask you a specific question about 20 this, this document in general was intended to lay out 21 ways to raise -- both raise and save money from the 22 City's perspective; is that right?</p> <p>23 A. That would be correct.</p> <p>24 Q. And laid out in here were perhaps not all but a number 25 of the initiatives that you've previously made</p>	<p style="text-align: right;">Page 55</p> <p>1 Q. Did you have an understanding at the time this 2 document was prepared, which was March 2013, as to 3 what the potential or estimated value of the real 4 estate that you referred to was?</p> <p>5 A. The UAW building across the street is for UAW, that 6 was a \$5 million proposal. The recreation center was 7 a \$1.7 million proposal. I don't recall, because I 8 think there was an updated assessment being done on 9 the valuation for the tunnel.</p> <p>10 Q. Okay, I'm not sure -- can you explain a little more 11 briefly what you meant about the UAW? You said that 12 there was a --</p> <p>13 A. There's a building across the street, it's city-owned, 14 but the UAW has been leasing the building.</p> <p>15 Q. You mean across the street from where we're sitting 16 here now?</p> <p>17 A. From where we're sitting, yes, across the street on 18 Jefferson Avenue.</p> <p>19 Q. Okay.</p> <p>20 A. The UAW is leasing that building from the City. They 21 made a proposal to purchase the building and we had 22 really come to an agreement in principle to the tune 23 of about \$5 million.</p> <p>24 Q. And what happened?</p> <p>25 A. It's never closed. It has never closed at this point.</p>
<p style="text-align: right;">Page 54</p> <p>1 reference to; is that right?</p> <p>2 A. That would also be correct.</p> <p>3 Q. And I see in some of them there are cost savings that 4 are identified or potential cost savings in 5 parentheses. We were just looking at this page 421; 6 is that right?</p> <p>7 A. Correct.</p> <p>8 Q. Now, with respect to item 2C on the page I've asked 9 you to refer to, it's headed identified future cost 10 savings initiatives and there's a parenthetical saying 11 that's in process and there's a long list of various 12 items that the City is pursuing at this time, and the 13 last one says asset monetization strategies; do you 14 see that?</p> <p>15 A. Yes.</p> <p>16 Q. Can you explain what that is referring to?</p> <p>17 A. There was real estate that I knew we had been in 18 discussions in terms of selling some real estate. 19 They also had been -- even going back in the 20 Kilpatrick administration there was discussion about 21 selling our rights in the Detroit/Windsor tunnel. 22 There was -- there was a recreation center that we had 23 a proposal on, a closed recreation center. Those were 24 some of the things that we talked about potentially 25 for monetization.</p>	<p style="text-align: right;">Page 56</p> <p>1 Q. So am I to understand it was effectively taken out of 2 your hands and you don't know what happened to it 3 since?</p> <p>4 A. That would be --</p> <p>5 MR. CULLEN: Objection, foundation, form.</p> <p>6 Go ahead.</p> <p>7 Q. You can answer the question.</p> <p>8 A. That would be correct.</p> <p>9 Q. And the Windsor tunnel, you said you're not certain 10 what the current -- there may be an updated valuation?</p> <p>11 A. There may be an updated valuation. If I were to go 12 back 60 to 90 days or maybe even more than that, I 13 knew that there was an updated evaluation being done.</p> <p>14 Q. And what was the valuation that you were familiar with 15 as of March --</p> <p>16 A. I don't recall. I don't recall what that was.</p> <p>17 Q. Then you made also reference to a recreation center. 18 You said it was closed but there was some proposal 19 that was made to purchase it; is that right?</p> <p>20 A. Correct, to the tune of about 1.7 million.</p> <p>21 Q. Do you know who made that proposal?</p> <p>22 A. That was the Salvation Army.</p> <p>23 Q. And as of the time as around March 13th, was that 24 something that looked like it was proceeding towards 25 this closing?</p>

<p style="text-align: right;">Page 57</p> <p>1 A. Yes, it did.</p> <p>2 Q. And was that taken out of your hands also?</p> <p>3 A. Yes, it was.</p> <p>4 Q. And that like the other real estate you mentioned was</p> <p>5 taken out of your hands by the Emergency Manager and</p> <p>6 his team I take it?</p> <p>7 A. The whole process --</p> <p>8 MR. CULLEN: Objection, foundation, form.</p> <p>9 A. -- yeah.</p> <p>10 Q. And did there come a time when someone -- how did this</p> <p>11 process come about that it was taken out of your</p> <p>12 hands? Did the Emergency Manager or someone from his</p> <p>13 staff actually tell you or your staff, don't worry</p> <p>14 about these things anymore, it's not your business or</p> <p>15 words to that effect?</p> <p>16 MR. CULLEN: Objection.</p> <p>17 A. No.</p> <p>18 MR. CULLEN: Foundation, form.</p> <p>19 Q. How did it come about that it was taken out of your</p> <p>20 hands?</p> <p>21 A. I actually went to the Emergency Manager and told him</p> <p>22 about these potential deals and in order for them to</p> <p>23 go forward, he had to sign-off on it. He said to me</p> <p>24 that it looked like they were decent deals and that he</p> <p>25 would, but obviously that hasn't happened yet.</p>	<p style="text-align: right;">Page 59</p> <p>1 Did you as of the March 2013 time frame</p> <p>2 have any understanding, just a general understanding,</p> <p>3 as to what the value was of the art that's owned by</p> <p>4 the City of Detroit?</p> <p>5 MR. CULLEN: Objection, foundation, form.</p> <p>6 A. The answer would be no.</p> <p>7 Q. And as you sit here today, do you have any</p> <p>8 understanding as to the value of the art that's owned</p> <p>9 by the City of Detroit?</p> <p>10 MR. CULLEN: Same objection.</p> <p>11 A. The answer would still be no.</p> <p>12 Q. Are you aware of reports in the press stating that the</p> <p>13 city-owned art could easily be worth billions of</p> <p>14 dollars?</p> <p>15 A. I have read that, yes.</p> <p>16 Q. And do you have any reason to believe those reports</p> <p>17 are inaccurate?</p> <p>18 MR. CULLEN: Objection, foundation, form.</p> <p>19 Of what they report or the value or what, counsel?</p> <p>20 MR. ULLMAN: I think my question was clear.</p> <p>21 Q. You can answer my question.</p> <p>22 A. I know that he's engaged Christie's to do an</p> <p>23 evaluation and I'm not sure that that's complete yet,</p> <p>24 so I have no idea of what the value may or may not be.</p> <p>25 Q. Okay. Let me ask you to turn now to the next page of</p>
<p style="text-align: right;">Page 58</p> <p>1 Q. And has there been any follow-up with the Emergency</p> <p>2 Manager between him and you as to why he hasn't signed</p> <p>3 off?</p> <p>4 MR. CULLEN: Objection, foundation, form.</p> <p>5 A. I think more than anything else he wants to look at</p> <p>6 some of the bigger issues that he's got to deal with</p> <p>7 as opposed to these things which he may consider, you</p> <p>8 know, not big issues.</p> <p>9 Q. Even though if these things went through, they would</p> <p>10 at least bring in some immediate cash; is that right?</p> <p>11 A. They would.</p> <p>12 Q. As part of the asset monetization, did you give any</p> <p>13 consideration to try to monetize art that is owned by</p> <p>14 the City of Detroit and maintained at the Detroit</p> <p>15 Institute of Arts?</p> <p>16 A. The answer would be no.</p> <p>17 Q. And was there a particular reason you didn't give any</p> <p>18 consideration to that?</p> <p>19 A. Back at that time when we were thinking about it, that</p> <p>20 never came up, that was never a conversation that we</p> <p>21 had internally. I think since he's been on board, the</p> <p>22 subject obviously has gotten a lot of heat and a lot</p> <p>23 of visibility. I'm not sure what's going to happen</p> <p>24 there.</p> <p>25 Q. Okay. And do you -- let me ask it this way.</p>	<p style="text-align: right;">Page 60</p> <p>1 this document, which is ending in Bates page 422. And</p> <p>2 this heading says, and I quote, "The Mayor's plan</p> <p>3 includes strategies to implement changes that will</p> <p>4 significantly reduce general fund long-term</p> <p>5 liabilities."</p> <p>6 Do you see that?</p> <p>7 A. Yes.</p> <p>8 Q. And so we're clear, what in brief is the general fund?</p> <p>9 A. That's the -- the general fund is what we use to run</p> <p>10 the City on a day-to-day basis.</p> <p>11 Q. Now, in subpoint A, 3A, you give some -- you give two</p> <p>12 subpoints, two bullets. The second one says,</p> <p>13 approximately 6 billion of City debt is owed by the</p> <p>14 water and sewer department and does not have an impact</p> <p>15 on the general fund. Do you see that?</p> <p>16 A. Yes.</p> <p>17 Q. Can you explain what you were referring to by those</p> <p>18 words?</p> <p>19 A. That -- that debt is paid by the users of the water</p> <p>20 and sewerage department, so there's a revenue stream</p> <p>21 that pays that debt down, so it's not part of the</p> <p>22 general fund.</p> <p>23 Q. Okay, and as you put it here, that that debt, while</p> <p>24 it's on the books as City debt because the department</p> <p>25 of water and sewer is part of the City, that doesn't,</p>

<p>Page 61</p> <p>1 as you put it, have an impact on the general fund 2 because it's -- the water and sewer debt is paid for 3 by the department of water and sewer? 4 A. That would be correct. 5 Q. And that, as I understand it, is run as a separate 6 authority and has its own books and records and is 7 solvent; is that right? 8 A. That would be correct. 9 Q. You then go on in the next point, sub B, to refer to 10 pension unfunded liabilities, and you say 11 approximately 650 million of unfunded liability as of 12 FY 2012 of which only 250 million relates to general 13 fund. 14 A. Uh-huh. 15 Q. Do you see that? And could you tell me what you meant 16 when you wrote that? 17 MR. CULLEN: Objection, foundation, form. 18 A. I believe that makes reference to both the payment to 19 the pension fund and maybe even to the healthcare 20 benefits. 21 Q. Okay, I'm going to be a little more specific. The 22 language of this restructuring plan states that 23 there's 650 million of unfunded pension liability. Do 24 you see that? 25 A. Uh-huh.</p>	<p>Page 63</p> <p>1 pensions and if you look on page 124, it talks about 2 the unfunded AAL on line 3 of that table. 3 A. Uh-huh. 4 Q. And which stands for unfunded actuarial -- as I 5 understand it, actuarial accrued liability? 6 A. Correct. 7 Q. And then if you look at the table, it says for the 8 General Retirement System there's a number of 9 approximately 640 million and on the Police and Fire 10 Retirement System it's about 4 million. Do you see 11 that? 12 A. Yes. 13 Q. And is it correct that that -- so that adds up to 14 about 644 million. Does that correspond to the 15 650 million that's in the restructuring plan that we 16 have as Exhibit 3? 17 A. Yes, yes. 18 MR. CULLEN: Objection, foundation, form. 19 Q. And when you -- the restructuring document refers to 20 the unfunded liability at fiscal year 2012, is that 21 referring to the valuation that's referred to at the 22 top of page 124 of Bing 4 where it says, and I quote, 23 "The funded status of each plan as of June 30, 2011, 24 the most recent actuarial valuation date, is as 25 follows" and then gives a table?</p>
<p>Page 62</p> <p>1 Q. And then it says of that only 250 million relates to 2 the general fund. 3 Can you tell me what that's referring to? 4 A. No, not right off the top of my head I can't, no. 5 Q. So you don't recall what that level of detail is as to 6 the -- 7 A. Correct, correct, correct. 8 Q. Then the next bullet it -- well, I guess -- do you 9 recall where the 650 million liability -- unfunded 10 liability number comes from? 11 A. We have not -- we're not current with our pension 12 contributions. 13 Q. I guess let me ask it a little -- let me mark then 14 another document. We'll mark this as Bing 4. 15 (Marked Exhibit No. 4.) 16 Q. And Bing 4 for the record is an excerpt from a 17 document entitled Comprehensive Annual Financial 18 Report for the City of Detroit for its fiscal 19 year-ended June 30, 2012 and I've attached just two 20 pages of it because it's a very long document. 21 Okay, Mr. Mayor? You've seen -- you know 22 what the Comprehensive Annual Financial Report is; 23 right? 24 A. Yes. 25 Q. And I've attached the pages that pertain to the</p>	<p>Page 64</p> <p>1 MR. CULLEN: Objection, foundation, form. 2 A. And your question was? 3 MR. ULLMAN: Do you want to read it back? 4 If you don't understand, I'll rephrase it, but -- 5 THE WITNESS: Yes. I just need -- 6 Q. Would it be easier if I just rephrased the question? 7 A. Go ahead. 8 Q. Okay. When you referred to the approximately 9 650 million of unfunded liability as of fiscal year 10 2012, okay, the unfunded liability as of 2012, is that 11 referring to the underfunding as reported as of the 12 June 30, 2011 actuarial valuation which is referred to 13 on the top of page 124? 14 A. The answer would be -- 15 MR. CULLEN: Objection, foundation, form. 16 When you say when you refer, you mean -- are you 17 implying that he wrote this document personally? 18 MR. ULLMAN: No, he and his team. 19 Q. I'm obviously referring to that in the general sense. 20 I didn't intend to imply that you physically drafted 21 this, Mr. Mayor. I understand this was put together 22 by you and people working for you. 23 A. And the answer to that would be yes. 24 Q. And also under this -- going back to page 422 of 25 Exhibit 3 under the subheading B under pension</p>

<p style="text-align: right;">Page 65</p> <p>1 unfunded liabilities it says, the City is developing a</p> <p>2 plan to reduce the unfunded liability.</p> <p>3 Do you have any recollection as to the</p> <p>4 specifics of that plan?</p> <p>5 A. No, I don't.</p> <p>6 Q. Now, you recall -- or let me ask you.</p> <p>7 Are you aware that on June 14th, 2013 the</p> <p>8 Emergency Manager had a meeting with creditors?</p> <p>9 A. I'm aware.</p> <p>10 Q. Prior to the time that he was appointed or I should</p> <p>11 say -- let me withdraw that.</p> <p>12 Prior to the time that the Emergency</p> <p>13 Manager's appointment was formally announced and June</p> <p>14 14, 2013, did you have any conversations with the</p> <p>15 Emergency Manager himself?</p> <p>16 A. Yes.</p> <p>17 Q. And do you recall how many?</p> <p>18 A. We don't -- we don't meet that often. You know, if we</p> <p>19 meet once or twice a week, that's about it and the</p> <p>20 meetings are usually very short meetings. Usually</p> <p>21 called by me.</p> <p>22 Q. And can you say how long a typical meeting would last?</p> <p>23 A. Thirty minutes tops.</p> <p>24 Q. During that time between March 25th and June 14th do</p> <p>25 you recall any discussions with the Emergency Manager</p>	<p style="text-align: right;">Page 67</p> <p>1 A. No.</p> <p>2 Q. And did you have any conversations with him in which</p> <p>3 he specifically referred to a Chapter 9 bankruptcy as</p> <p>4 a way to deal with the pension issues?</p> <p>5 A. I believe the answer to that would be yes. I can't be</p> <p>6 very specific, I don't recall, but I think -- I</p> <p>7 believe that conversation -- or a conversation like</p> <p>8 that did occur.</p> <p>9 Q. Okay, and can you give me, as best you can recall, a</p> <p>10 time frame as to when?</p> <p>11 A. I think it would be in that same May time frame in one</p> <p>12 of our discussions.</p> <p>13 Q. And can you tell me with as much specificity as you</p> <p>14 can remember what the Emergency Manager said during</p> <p>15 that conversation?</p> <p>16 A. Once again, with not a lot of specifics, but in order</p> <p>17 to fix the problems of the City where -- I know this</p> <p>18 number has been thrown out a lot, the \$3.5 billion of</p> <p>19 unfunded liabilities, etc., etc., I mean, he talked</p> <p>20 about that, but that was a generality and so it was no</p> <p>21 more -- it was not more specific than that.</p> <p>22 Q. But he referred to Chapter 9 as a way to get rid of or</p> <p>23 address what he referred to as a 3.5 billion unfunded</p> <p>24 liability?</p> <p>25 A. As a possibility.</p>
<p style="text-align: right;">Page 66</p> <p>1 concerning pensions, anything to do with pensions?</p> <p>2 A. I -- yes.</p> <p>3 Q. And tell me what you recall.</p> <p>4 A. You know, the general conversation was that pensions</p> <p>5 are a major problem that we have and we've got to</p> <p>6 address it.</p> <p>7 Q. And do you recall when those conversations took place?</p> <p>8 A. Probably more in the May time frame.</p> <p>9 Q. And was there any conversation with the Emergency</p> <p>10 Manager as to how the Emergency Manager intended to</p> <p>11 address the issues of pensions?</p> <p>12 A. No.</p> <p>13 Q. Was there any discussion with the Emergency Manager</p> <p>14 during the period I've been asking about, the end of</p> <p>15 March and June 14, about the City's filing for Chapter</p> <p>16 9 bankruptcy?</p> <p>17 A. I think the only conversations we may have had about</p> <p>18 that is that's the last resort and that's from him</p> <p>19 saying, you know, that's not the direction we want to</p> <p>20 go in and it would be last resort.</p> <p>21 Q. Did the emergency -- did you have any discussions with</p> <p>22 the Emergency Manager in which he indicated that he</p> <p>23 had any approaches or thoughts as to how to address</p> <p>24 issues relating to pensions other than filing for</p> <p>25 Chapter 9 bankruptcy?</p>	<p style="text-align: right;">Page 68</p> <p>1 MR. CULLEN: Objection, foundation, form.</p> <p>2 You can answer.</p> <p>3 A. As a possibility.</p> <p>4 Q. And did Mr. Orr tell you at that time that the</p> <p>5 unfunded liability was indeed 3.5 billion?</p> <p>6 A. The answer to that would be yes.</p> <p>7 Q. And did he tell you that that had been shown through</p> <p>8 an actuarial valuation?</p> <p>9 A. The answer to that would be yes.</p> <p>10 Q. During that conversation or any other conversation</p> <p>11 with Mr. Orr during the March 25 through June 14 time</p> <p>12 frame, was there any discussion with Mr. Orr of what</p> <p>13 we've referred to previously and I've shown you the</p> <p>14 pension clause in the Michigan Constitution or any</p> <p>15 other legal impediments to -- affecting pension</p> <p>16 rights?</p> <p>17 A. No.</p> <p>18 Q. Let me ask you the same questions now -- well, let me</p> <p>19 preface it by saying you're aware, of course, that</p> <p>20 there was a bankruptcy filing on July 18.</p> <p>21 A. That would be correct.</p> <p>22 Q. Okay. Now, during the period between June 14, that</p> <p>23 was when the creditor proposal was issued, and the</p> <p>24 filing, did you have any conversations with Mr. Orr?</p> <p>25 A. About?</p>

<p style="text-align: right;">Page 69</p> <p>1 Q. Just in general first.</p> <p>2 A. Yeah, we probably had general conversations, but</p> <p>3 nothing relative to the filing.</p> <p>4 Q. Okay. So between June 14th and July 18th did you have</p> <p>5 any conversations with Mr. Orr regarding pensions at</p> <p>6 all?</p> <p>7 A. No.</p> <p>8 Q. Any discussions with Mr. Orr at all regarding the</p> <p>9 possibility of a Chapter 9 filing?</p> <p>10 A. No.</p> <p>11 Q. So I take it the Chapter 9 filing a complete surprise</p> <p>12 to you?</p> <p>13 A. Yes, it was.</p> <p>14 Q. I've asked you conversations with Mr. Orr concerning</p> <p>15 pensions and Chapter 9. Going back, we don't have to</p> <p>16 do it in two time frames, but between March 25th which</p> <p>17 is when the -- the last point we asked about and July</p> <p>18 18th, did you have any conversations with anyone from</p> <p>19 the State about the City's unfunded pension liability?</p> <p>20 A. No.</p> <p>21 Q. And during that same time frame did you have any</p> <p>22 conversations with anyone from the State about the</p> <p>23 possibility of a Chapter 9 bankruptcy filing?</p> <p>24 A. No.</p> <p>25 Q. Now, you said you were not made aware in advance of</p>	<p style="text-align: right;">Page 71</p> <p>1 Q. Now, were you aware that around -- as of the time the</p> <p>2 bankruptcy filing was made that there was state court</p> <p>3 litigation that was ongoing that was challenging the</p> <p>4 ability of the Emergency Manager to file for Chapter</p> <p>5 11 -- I'm sorry, for Chapter 9 in the first place?</p> <p>6 A. I read that in the paper.</p> <p>7 Q. Okay. Did you ever hear that the City made its</p> <p>8 bankruptcy filing at the time it did in order</p> <p>9 effectively to get it in before the state court issued</p> <p>10 what the City expected to be an adverse ruling?</p> <p>11 A. No.</p> <p>12 MR. CULLEN: Objection, foundation, form.</p> <p>13 A. I think I read that in the paper the following day.</p> <p>14 Q. Now, I think you had indicated previously that you had</p> <p>15 been opposed to the idea of the City having to file</p> <p>16 for bankruptcy, you didn't think it was necessary; is</p> <p>17 that right?</p> <p>18 A. That's correct.</p> <p>19 Q. And I remember you gave -- one last -- a couple last</p> <p>20 questions.</p> <p>21 You gave an interview with the Emergency</p> <p>22 Manager I think it was either the day of or the day</p> <p>23 after the filing. Do you recall that? You -- I think</p> <p>24 you talked about a troubling day for Detroit.</p> <p>25 A. Somewhat remember that, yeah.</p>
<p style="text-align: right;">Page 70</p> <p>1 the bankruptcy filing. I take it you were made aware</p> <p>2 of the bankruptcy filing after it happened?</p> <p>3 A. No. The day that he was going to file is when he told</p> <p>4 me he was going to file.</p> <p>5 Q. Okay. And did he -- what was the substance of what he</p> <p>6 told you? Did he just say we're filing or did he give</p> <p>7 any explanation?</p> <p>8 A. That's all he said, we're filing, today.</p> <p>9 Q. And what time did he say that? Do you remember?</p> <p>10 A. This was in the afternoon so it had to be somewhere</p> <p>11 between 3 and 4 o'clock, somewhere in there I think.</p> <p>12 Q. And at that time he didn't give you any explanation as</p> <p>13 to why?</p> <p>14 A. No.</p> <p>15 Q. And did you have conversations with Mr. Orr subsequent</p> <p>16 to the filing discussing the reasons why the filing</p> <p>17 had been done?</p> <p>18 A. No.</p> <p>19 Q. Did Mr. Orr ever discuss with you the reasons for the</p> <p>20 timing, the specific timing, of the filing?</p> <p>21 A. No, he didn't.</p> <p>22 Q. Did you have any discussions with anyone from the</p> <p>23 State as to the specifics of the timing of the</p> <p>24 bankruptcy filing?</p> <p>25 A. No.</p>	<p style="text-align: right;">Page 72</p> <p>1 Q. And you introduced Mr. Orr who then made his comments.</p> <p>2 In the course of that press conference you made the</p> <p>3 statement to the effect that Mr. Orr and his team have</p> <p>4 brought together -- have brought together a lot of</p> <p>5 history of success or words to that effect. Do you</p> <p>6 recall making that statement?</p> <p>7 A. No.</p> <p>8 Q. Do you -- are you aware of any history of success that</p> <p>9 Mr. Orr and his team have?</p> <p>10 A. Only Chrysler.</p> <p>11 Q. Only in the context of bankruptcy?</p> <p>12 A. Yeah.</p> <p>13 Q. Are you aware of any success or history of success</p> <p>14 that Mr. Orr has had outside the context of</p> <p>15 bankruptcy?</p> <p>16 A. No.</p> <p>17 Q. Now, you obviously, you know, have been following even</p> <p>18 if you've not been directly involved in what the</p> <p>19 Emergency Manager has been doing; right?</p> <p>20 A. Uh-huh.</p> <p>21 Q. And you've been looking at or since obviously Detroit</p> <p>22 is impacted by what he's doing in terms of both</p> <p>23 reducing liabilities and trying to raise or conserve</p> <p>24 cash; right?</p> <p>25 A. Correct.</p>

<p style="text-align: right;">Page 73</p> <p>1 Q. Now, when exactly did Kriss Andrews leave? I forget.</p> <p>2 You may have told me.</p> <p>3 A. It was late July of '13.</p> <p>4 Q. And did you just have discussions with Mr. Andrews</p> <p>5 before the time he left as to -- with the job that the</p> <p>6 Emergency Manager was doing, whether he was doing a</p> <p>7 good job or a bad job, being effective or not being</p> <p>8 effective?</p> <p>9 A. Yes.</p> <p>10 Q. And can you relate -- were you in agreement with the</p> <p>11 views of Mr. Andrews or did you and he have different</p> <p>12 views?</p> <p>13 MR. CULLEN: Objection, foundation, form.</p> <p>14 That's an unfair question, counsel. Which views?</p> <p>15 Q. You can answer my question.</p> <p>16 A. I was in agreement with Mr. Andrews.</p> <p>17 Q. And can you tell me what the substance of the</p> <p>18 discussions were and in particular the views expressed</p> <p>19 by Mr. Andrews with which you agreed?</p> <p>20 A. I think he felt as far as --</p> <p>21 MR. CULLEN: Objection, foundation. You</p> <p>22 can address it.</p> <p>23 A. I think he felt as far as the balance sheet issues</p> <p>24 were concerned that Kevyn had the ability to help</p> <p>25 solve problems in that realm, but from a restructuring</p>	<p style="text-align: right;">Page 75</p> <p>1 Q. Okay, and did you have an oral discussion with</p> <p>2 Mr. Andrews about this?</p> <p>3 A. Yes, I did.</p> <p>4 Q. Okay, and did you advise Mr. Andrews that you</p> <p>5 concurred in the views that he expressed here?</p> <p>6 MR. CULLEN: Objection, foundation, form.</p> <p>7 A. I would say the answer would be yes.</p> <p>8 Q. And then did you in fact agree with the views</p> <p>9 expressed in this document, Bing 5, by Mr. Andrews?</p> <p>10 MR. CULLEN: Objection, foundation, form.</p> <p>11 A. The answer would be yes.</p> <p>12 Q. Okay, and let me just go through some of this briefly.</p> <p>13 I think in the first couple of paragraphs Mr. Andrews</p> <p>14 essentially says that he's giving the Emergency</p> <p>15 Manager good mark -- good marks in long-term</p> <p>16 liabilities, stating at least in his view that the</p> <p>17 Emergency Manager was building on many of the</p> <p>18 initiatives that you had started previously?</p> <p>19 A. Correct.</p> <p>20 Q. And did you agree with that assessment?</p> <p>21 A. Yes.</p> <p>22 Q. Then Mr. Andrews goes on and starts discussing</p> <p>23 operations, which he says are a different matter</p> <p>24 altogether and basically his -- Mr. Andrews'</p> <p>25 conclusion is that the Emergency Manager, and I quote,</p>
<p style="text-align: right;">Page 74</p> <p>1 standpoint he didn't think that he had the requisite</p> <p>2 skills to do an effective restructuring.</p> <p>3 Q. Now, was this -- these were discussions -- let me ask</p> <p>4 it this way.</p> <p>5 Was this a discussion that took place at</p> <p>6 one point in time or was this --</p> <p>7 A. It was ongoing.</p> <p>8 Q. These were ongoing discussions with Mr. Andrews? Just</p> <p>9 during what time frame?</p> <p>10 A. I think from probably April through June.</p> <p>11 Q. Let me mark as the last exhibit I will show you Bing</p> <p>12 5.</p> <p>13 (Marked Exhibit No. 5.)</p> <p>14 MR. ULLMAN: I'll just state for the record</p> <p>15 what we've marked as Bing 5 is an email from</p> <p>16 Kriss Andrews to Mayor Bing dated July 10, 2013. The</p> <p>17 first page bears Bates numbers DTMI00098861.</p> <p>18 Q. Are you familiar with what we've marked as Exhibit</p> <p>19 Bing 5, Mr. Mayor?</p> <p>20 A. Yes.</p> <p>21 Q. And can you tell me what this is?</p> <p>22 A. I asked Kriss, because at this time I knew he was</p> <p>23 leaving and I asked him to give me a kind of overview</p> <p>24 in terms of what he'd seen since Kevyn came on board</p> <p>25 and this is the feedback that I got from him.</p>	<p style="text-align: right;">Page 76</p> <p>1 "threw away the head start we gave him. He frankly is</p> <p>2 not competent at all. In fact, he's embarrassingly</p> <p>3 incompetent and only listened to his equally</p> <p>4 incompetent staff and did not well-exercise the added</p> <p>5 powers he had."</p> <p>6 So Mr. Andrews gives him an A in long-term</p> <p>7 liabilities and an F in operations.</p> <p>8 And did you agree with that assessment by</p> <p>9 Mr. Andrews?</p> <p>10 MR. CULLEN: Objection. Every word of it,</p> <p>11 counsel? Is that what you're asking?</p> <p>12 MR. ULLMAN: My question is pretty plain.</p> <p>13 You can answer.</p> <p>14 MR. CULLEN: No, it's an objectionable</p> <p>15 question, but he can answer it.</p> <p>16 MR. ULLMAN: Then your objection stands and</p> <p>17 the question would be answered.</p> <p>18 A. From my vantage point, you know, I'm not going to give</p> <p>19 him a grade from A to F in either one of those areas,</p> <p>20 but I would agree that his strength was in dealing</p> <p>21 with the long-term liabilities and not operations.</p> <p>22 Q. And Mr. Andrews goes so far as to say that in at least</p> <p>23 Mr. Andrews' view that he's not doing a competent job</p> <p>24 in the restructuring aspect and the operational</p> <p>25 aspect. Did you agree with that?</p>

<p>1 MR. CULLEN: Objection, form and 2 foundation. 3 A. Yes, I would. 4 Q. And he gives -- he, meaning Mr. Andrews, goes on to 5 discuss some specific points that he believes, he 6 Mr. Andrews, believes support that conclusion. I want 7 to ask you about some of those. 8 Mr. Andrews -- he has items 1 through 4 9 initially. Mr. Andrews first talks about issues 10 with -- you called it DDOT? 11 A. Yes. 12 Q. And he says that they were ready to choose -- I guess 13 MV is someone, is a person? 14 A. No, that's a company -- 15 Q. Oh. 16 A. -- that manages transportation. 17 Q. Okay. And then it goes on to say, the Emergency 18 Manager slowed the process down and he says that 19 although he, meaning Orr, gave me a poor excuse for so 20 doing, it does not hold water. 21 Can you tell me in your own words, what was 22 the situation, the issue, with DDOT? 23 A. We had poor management at best at DDOT. And before we 24 wanted to make any long-term decisions, what to do 25 with the transportation department, we felt we had to</p>	<p>Page 77</p> <p>1 A. I would say yes, but they've only been there for the 2 last four to six weeks so maybe it's too soon to 3 really do a good assessment, but they are the right 4 company and I believe given time and tools, they will 5 make major improvements. 6 Q. Okay, and does DDOT have any importance as concerns 7 Detroit's financial viability in terms of being able 8 to offer public transportation to citizens or things 9 like that? 10 MR. CULLEN: Objection. 11 Q. Is that something that's important to have in place 12 for recovery? 13 MR. CULLEN: Objection, foundation -- I'm 14 sorry. I didn't know whether there was going to be 15 another clause in the question. 16 MR. ULLMAN: No, no more clauses. 17 MR. CULLEN: Okay. Objection, foundation, 18 form. 19 MR. ULLMAN: Duly noted. 20 Q. You can answer. 21 A. As one of my initiatives, one of my key initiatives, 22 public transportation is one of the top five 23 initiatives from my vantage point, because it impacts 24 so many of our citizens who have either got to travel, 25 a lot of them don't have cars, a lot of them work</p> <p>Page 79</p>
<p>1 get a capable management team in there to do the 2 assessment and make some improvements before we made 3 any final long-term decision and so we chose -- we had 4 chosen MV and Kevyn stopped that process and 5 ultimately, maybe three months later, chose the same 6 company that we recommended. So we think we lost 7 time. 8 Q. Okay, and so during that three-month period the same 9 prior, as you characterize it, bad management 10 continued in place? 11 A. Yes. 12 Q. And that resulted in continued -- were they losing 13 money, DDOT? 14 A. Yes. 15 Q. So it continued -- that perpetrated -- or perpetuated 16 at least for that three-month period the same 17 operation losing money? 18 MR. CULLEN: Objection, foundation, form. 19 A. We didn't see any improvement in efficiencies plus the 20 fact they were still the same kind of complaints that 21 we were getting from the ridership and we felt that if 22 there had been a management team in there sooner, we 23 could have probably made some improvements. 24 Q. Okay. And have there been improvements since MV was 25 put in place as the manager?</p>	<p>1 outside of the City and if you don't have dependable 2 public transportation, it does create a major issue. 3 Plus we've been subsidizing DDOT out of our general 4 fund for some time so the quicker that we can fix it, 5 the less subsidizing we have to get -- get over to 6 DDOT. 7 Q. Let me go onto -- the next item listed is number 2. 8 Mr. Andrews writes, we should also be progressing on 9 providing the new management team in PLD. 10 Can you tell me what -- 11 A. Public lighting department. 12 Q. Ah, okay. And can you explain what the issue is here? 13 A. We have 88,000 lights in our City with about 40,000 14 that are working. We have a system that is so 15 outdated that even with new technology, you know, we 16 -- we can't fix it. So there's got to be a huge 17 investment into public lighting. It's something that 18 we've been talking about for years and years. We have 19 a plan to put in place to invest in a new lighting 20 grid across the entire City and, once again, we 21 haven't moved the needle on that at all. We had a 22 Lighting Authority legislation was passed in December 23 of 2012 and we had an opportunity I think to put some 24 lights on in different parts of the City, but it 25 hasn't happened as I speak to you now.</p> <p>Page 80</p>

<p style="text-align: right;">Page 81</p> <p>1 Q. And do you know why it -- why things have been, in the 2 words of Mr. Andrews, been slowed down? 3 A. Once again, I would say to you, and this is more 4 hearsay than anything else and this would be from -- 5 MR. CULLEN: Objection, foundation. 6 A. What I hear is Lansing wants to take some credit for 7 fixing the lighting system and they're trying to get 8 the funding, 100 -- I think it's \$150 million they 9 want to go to the bond market. That hasn't happened 10 yet. So the investment that's necessary to put on 11 lights and start to fix the system has taken much 12 longer than any of us anticipated. 13 Q. Now, at the time that Mr. Andrews wrote this email to 14 you, he was still part of your team; right? 15 A. Correct. 16 Q. He was still the -- what was his title? Was it 17 program manager director? 18 A. Program director. 19 Q. And you had asked him to write this email to you as 20 part of his job duties? 21 A. Yes. 22 Q. To inform you as to -- 23 A. How things were going, yes. 24 Q. And that's what this is? This is the email that he 25 wrote while in the -- employed in the capacity of</p>	<p style="text-align: right;">Page 83</p> <p>1 Q. Going onto number 3, it says, similar issues surfaced 2 around the Lighting Authority. 3 Let me ask you. What's the difference 4 between the PLD and the Lighting Authority? 5 A. Lighting Authority is independent of PLD. The 6 Lighting Authority is more regional. We had had 7 legislation passed and so those people on the 8 authority are not employees of the City, it's 9 independent. 10 Q. And do they have -- do they deal with different -- 11 with lights in different parts of Detroit than PLD? 12 I'm not sure what the interplay between the two is. 13 A. No, it would be the exact same PLD, but see, with PLD, 14 we don't control all the lighting in the City, DTE 15 controls probably at least 40 percent of the lights in 16 the City because they have upgraded and they have made 17 the necessary technology, investments in 40 percent of 18 lights in the City so their grid works, ours doesn't. 19 Q. DTE is what? 20 A. Detroit -- DTE, Detroit -- Detroit Edison. 21 Q. Detroit Edison supplies the electricity or -- 22 A. PLD also has the ability to generate electricity, but 23 once again, it's such an old, outdated entity they've 24 not made any kind of investments in their system in 30 25 or 40 years, so a lot of the system is just broken, it</p>
<p style="text-align: right;">Page 82</p> <p>1 program manager director in response to your request 2 that he do so? 3 A. That would be correct. 4 Q. And this was within the ordinary scope of his job 5 activities? 6 A. Yes. 7 Q. And you had asked him as part of his job to observe 8 and monitor what was going on in the City under the 9 direction of the Emergency Manager and report back to 10 you? 11 A. Yes. 12 Q. Now, Mr. Andrews writes in this -- and this is on both 13 points one and two, he writes, and I quote, "He" -- 14 the he there referring to Mr. Orr -- "He told me a 15 disaster at DDOT would not be a problem for him since 16 it would highlight how screwed up the City is." And 17 then similarly, if you look at number 2, Mr. Andrews 18 writes that the EM slowed the process here also and 19 said the same thing, a disaster at PLD would not be a 20 bad thing because it would highlight how messed up the 21 City is. 22 Did you ever have any conversations with 23 Mr. Orr in which Mr. Orr conveyed the substance of 24 what is reported here by Mr. Andrews to you? 25 A. No.</p>	<p style="text-align: right;">Page 84</p> <p>1 can't even be fixed, you can't even get replacement 2 parts. 3 Q. Okay, just -- so you had indicated there were 88,000 4 lights -- 5 A. Correct. 6 Q. -- in Detroit? And some of those -- 7 A. Some of them are on the grid with DTE. 8 Q. Okay. And those are DTE's responsibility? 9 A. Correct. 10 Q. And some are the responsibility of PLD? 11 A. That would be correct. 12 Q. And that's about how many? 13 A. That's probably around 55,000. 14 Q. And then are others the responsibility of the Lighting 15 Authority? 16 A. No, no. 17 Q. That's why I'm still a little unclear as to how the 18 Lighting Authority factors into this. 19 A. We went to the outside, because we thought that one of 20 the things we were thinking about doing was 21 outsourcing the responsibility of lighting the City of 22 Detroit. We didn't think that we had the capacity or 23 the capability to do that internal so we were talking 24 to DTE as an alternative source, but we wanted to have 25 the Lighting Authority in place because DTE did not</p>

<p style="text-align: right;">Page 85</p> <p>1 want to make the necessary investment, so we had to do</p> <p>2 that through this Lighting Authority by issuing bonds.</p> <p>3 Q. Okay, so one option was to work with DTE, but that</p> <p>4 didn't look like it was going to work so the Lighting</p> <p>5 Authority is a regional authority and you were going</p> <p>6 to like bring them in through the floating of bonds to</p> <p>7 have them help take over and fix the lights in</p> <p>8 Detroit; is that it?</p> <p>9 A. Yep, yep, yep.</p> <p>10 Q. And is there a name of this authority or is that a</p> <p>11 particular name?</p> <p>12 A. No, Detroit Lighting Authority.</p> <p>13 Q. Just called the --</p> <p>14 A. Yeah.</p> <p>15 Q. There you go. Works for me.</p> <p>16 Okay, and so what is -- can you explain the</p> <p>17 issue that Mr. Andrews is writing about here in item 3</p> <p>18 when he says similar issues surfaced with the Lighting</p> <p>19 Authority?</p> <p>20 A. We -- one of the big issues that we have is with our</p> <p>21 union employees, because as you start talking about</p> <p>22 outsourcing, in a lot of cases they may very well lose</p> <p>23 a job, they're at risk, and as far as the lighting --</p> <p>24 the lighting department is concerned, you're not</p> <p>25 talking about a lot of people and there were</p>	<p style="text-align: right;">Page 87</p> <p>1 -- once you've gone out and you've secured the bonds,</p> <p>2 you can use this tax to pay down the loan, and this</p> <p>3 Authority did not need the \$12.5 million in year one,</p> <p>4 but he's -- I think he told me that Kevyn gave them</p> <p>5 the \$12.5 million and his feeling was that they only</p> <p>6 needed as a startup entity 2 to \$3 million. Why not</p> <p>7 use the rest of the money to put into other areas that</p> <p>8 the City needs and I think that's what his -- what he</p> <p>9 was referring to.</p> <p>10 Q. Okay. In item 4 Mr. Andrews makes a number of -- I</p> <p>11 guess it's some general observations. One is ordering</p> <p>12 us not to coordinate with the consultants we hired to</p> <p>13 help us.</p> <p>14 Do you have an understanding as to what</p> <p>15 that's referring to?</p> <p>16 A. Yeah, Kriss was told not to -- not to have any contact</p> <p>17 with the consultants and that the consultants that</p> <p>18 were coming in were very inexperienced people, that</p> <p>19 had really no knowledge of Detroit and of municipal</p> <p>20 government, so it really slowed the process down.</p> <p>21 Q. And did Mr. Andrews tell you that he had been told not</p> <p>22 to have contacts with the consultants?</p> <p>23 A. Yes.</p> <p>24 Q. And when did -- did he tell you that directive was</p> <p>25 given?</p>
<p style="text-align: right;">Page 86</p> <p>1 negotiations, I'm not involved in that, where those</p> <p>2 people who wanted to stay as City employees could be</p> <p>3 transferred over to an outside third-party and</p> <p>4 wouldn't lose their jobs. So a lot of those</p> <p>5 negotiations were going on, but what Kriss is saying</p> <p>6 is that Kevyn slowed that process down which kept us</p> <p>7 from moving forward to try to get the investment in</p> <p>8 place and start to get lights on in the City.</p> <p>9 Q. And is that process still ongoing to where --</p> <p>10 A. That's ongoing.</p> <p>11 Q. And are people -- but it's just ongoing, as I think</p> <p>12 you had said, in a slower way than you had expected it</p> <p>13 would be given the work -- the groundwork that you had</p> <p>14 done?</p> <p>15 A. That would be correct.</p> <p>16 MR. CULLEN: Objection, foundation, form.</p> <p>17 Q. And Mr. Andrews writes that they went to Kevyn and got</p> <p>18 a deal which forces the City to put in more money than</p> <p>19 they need and essentially saying a better deal than</p> <p>20 they were able to negotiate with the City without the</p> <p>21 Emergency Manager.</p> <p>22 Do you have an understanding as to what</p> <p>23 Mr. Andrews is referring to here?</p> <p>24 A. If I recall, there's a tax that's about \$12.5 million</p> <p>25 a year that I think I recall that is utilized once the</p>	<p style="text-align: right;">Page 88</p> <p>1 A. Oh, that was given by Kevyn. I don't know the exact</p> <p>2 timing of that. It had to be in the April/May time</p> <p>3 frame.</p> <p>4 Q. And up to the point of that directive had Mr. Andrews</p> <p>5 been having contact with the consultants?</p> <p>6 A. Yes.</p> <p>7 Q. And is that something you would know due to your</p> <p>8 supervision of Mr. Andrews?</p> <p>9 A. Yes.</p> <p>10 Q. And after that directive was given did Mr. Andrews</p> <p>11 continue to have contact with the consultants?</p> <p>12 A. No.</p> <p>13 Q. And then Mr. Andrews goes on to say, putting in place</p> <p>14 very inexperienced staff to control things.</p> <p>15 Do you have an understanding as to what</p> <p>16 Andrews was referring to there?</p> <p>17 A. All the consultants.</p> <p>18 Q. Well, he's referring specifically to staff. Is</p> <p>19 that --</p> <p>20 A. Well, they -- they became staff.</p> <p>21 Q. Oh, okay. Anyone in particular?</p> <p>22 A. It's a bunch of them.</p> <p>23 Q. You mean these were people that Mr. Andrews -- Mr. Orr</p> <p>24 brought in to take on positions in the City management</p> <p>25 structure to replace people that you had previously</p>

<p>Page 89</p> <p>1 installed; is that right?</p> <p>2 A. That would be correct.</p> <p>3 Q. And can you just give me -- you don't have to name</p> <p>4 names but give me some of the positions where you</p> <p>5 believe he put in people who are inexperienced or very</p> <p>6 inexperienced.</p> <p>7 MR. CULLEN: Objection, foundation, form.</p> <p>8 Which is it?</p> <p>9 MR. ULLMAN: I think we'll go with very</p> <p>10 inexperienced.</p> <p>11 A. He brought on a CFO from the outside to replace Jack</p> <p>12 and everybody said from day one he was not a good fit.</p> <p>13 I believe he'll be relieved of his duties for other</p> <p>14 reasons this week. Kriss was replaced by Gary Brown,</p> <p>15 who was a City Council -- City Councilman who has</p> <p>16 never run anything much less 11 different departments</p> <p>17 reporting to him. He was a police officer before he</p> <p>18 became a City Councilman and he took Kriss' place.</p> <p>19 Karla has not been replaced at all, Karla Henderson,</p> <p>20 who I think was one of our high profile leaders that</p> <p>21 really did an outstanding job in blight elimination</p> <p>22 and planning for the City. She's not been replaced to</p> <p>23 my knowledge. Only recently our director of</p> <p>24 purchasing has left and he has not been replaced. So</p> <p>25 a lot of the key people that they're taking out, what</p>	<p>Page 91</p> <p>1 don't even have a line item in our budget for</p> <p>2 training. Somebody's got to get trained to do these</p> <p>3 jobs on a long going basis.</p> <p>4 Q. So when you said -- you made some reference to young</p> <p>5 consultants that were brought in. Is it the case that</p> <p>6 the Emergency Manager has put in staff positions</p> <p>7 people who are actually consultants rather than</p> <p>8 long-term employees of the City?</p> <p>9 A. Yes.</p> <p>10 MR. CULLEN: Objection, foundation, form.</p> <p>11 Q. And do you know the names or positions of those</p> <p>12 people?</p> <p>13 A. No, I don't.</p> <p>14 Q. But that's at a lower level so you don't know the</p> <p>15 specific names?</p> <p>16 A. Correct.</p> <p>17 Q. But it's your understanding that that's what's</p> <p>18 happened?</p> <p>19 A. Correct. I get feedback from a lot of my department</p> <p>20 heads and directors that that's what's going on and</p> <p>21 they're frustrated as hell.</p> <p>22 Q. And can you tell me who are some of these department</p> <p>23 heads who are --</p> <p>24 A. All of them.</p> <p>25 Q. Mr. Andrews also says that the Emergency Manager is</p>
<p>Page 90</p> <p>1 they're doing is putting in consultants in those</p> <p>2 positions and, you know, they're learning on the fly</p> <p>3 and just, once again, it's not efficient.</p> <p>4 Q. I think you mentioned specifically two people who were</p> <p>5 replaced who you didn't believe were good people or</p> <p>6 experienced people. You mentioned CFO, Jack Martin,</p> <p>7 as I recall, and then Kriss Andrews himself who was</p> <p>8 replaced by Gary Brown. Anyone else that was put out</p> <p>9 and replaced by someone that you believe to be not</p> <p>10 suited, not experienced enough for the job apart from</p> <p>11 those two? And put aside positions that are currently</p> <p>12 unfilled.</p> <p>13 A. No, those would be the two key along with Karla and</p> <p>14 Karla's just hasn't been replaced. They may be</p> <p>15 looking for a person for that, I don't know, but some</p> <p>16 of the other positions they've just put young</p> <p>17 consultants in those positions. My big concern there</p> <p>18 is at some point in time we will come out of</p> <p>19 bankruptcy and if you don't have the people internally</p> <p>20 that know the system and you have all these</p> <p>21 consultants doing the job that City employees ought to</p> <p>22 be doing, when Kevyn leaves, which could be within the</p> <p>23 next 11 months, and those consultants leave, you</p> <p>24 haven't developed anybody to run the City on a</p> <p>25 day-to-day basis. That's my biggest concern. We</p>	<p>Page 92</p> <p>1 not listening to Conway MacKenzie. Do you see that at</p> <p>2 the top of Bates page 862?</p> <p>3 A. Yes, I see that.</p> <p>4 Q. Do you have an understanding of what he was referring</p> <p>5 to there?</p> <p>6 A. No, I don't. Conway MacKenzie is the restructuring --</p> <p>7 the primary restructuring firm, but I'm -- you know, I</p> <p>8 have no contact with them at all.</p> <p>9 Q. So you don't know the specifics of what Mr. Andrews</p> <p>10 was referring to?</p> <p>11 A. No, no, I don't.</p> <p>12 Q. Okay. Let me just go quickly through the last couple</p> <p>13 of things. Mr. Andrews continues in this email</p> <p>14 stating that the Emergency Manager and his team also</p> <p>15 pursued wrong things and he gives a list. First he</p> <p>16 talks about focusing on outsourcing solid waste. Do</p> <p>17 you have an understanding of what the issue is there?</p> <p>18 A. Yeah, trash is getting picked up, garbage and trash is</p> <p>19 getting picked up. Maybe not as efficient as it</p> <p>20 should be, but it's not like it's not happening. You</p> <p>21 know, there may be a delay of several hours or maybe a</p> <p>22 day and he's saying that's not an area to overly</p> <p>23 concern itself with. You know, the real issues still</p> <p>24 are the things that I focused on earlier.</p> <p>25 Q. Mr. Andrews states in this paragraph that the</p>

<p style="text-align: right;">Page 93</p> <p>1 announced savings of 15 million are ridiculous and he</p> <p>2 says they don't really know what the savings are, if</p> <p>3 there are any.</p> <p>4 Do you see that? Do you have an</p> <p>5 understanding of what's referred to there?</p> <p>6 A. Yeah, I think you first got to know your internal</p> <p>7 costs and I think what Kriss is saying if you don't</p> <p>8 know your internal costs, how do you know that when</p> <p>9 you go out, without quoting other companies, that</p> <p>10 you're going to save this money? And so, you know,</p> <p>11 that work had not been quoted out.</p> <p>12 Q. I'm sorry, what work had not been quoted out?</p> <p>13 A. Trash and garbage pickup.</p> <p>14 Q. I'm -- I'm not -- I'm sorry, I'm not following.</p> <p>15 A. Solid waste.</p> <p>16 Q. It had not been quoted out. I thought there was an</p> <p>17 RFP that was put out for solid waste?</p> <p>18 A. It may have been now, but before -- but I think he was</p> <p>19 given information on this 15 million savings before</p> <p>20 any information came back from the RFP.</p> <p>21 Q. Oh, you're saying that there was an announcement that</p> <p>22 there would be a savings of 15 million --</p> <p>23 A. Right.</p> <p>24 Q. -- before the specifics of the RFP were in --</p> <p>25 A. Correct.</p>	<p style="text-align: right;">Page 95</p> <p>1 the Planning Department and shift it over to DEGC,</p> <p>2 DEGC doesn't even want all of that, doesn't make -- we</p> <p>3 don't think it makes a lot of good sense right now.</p> <p>4 Q. Okay. And there's also the last point that</p> <p>5 Mr. Andrews makes, number 3, is about putting a new</p> <p>6 chief in place. I think he's suggesting it should be</p> <p>7 an existing person as opposed to someone brought in</p> <p>8 from the outside?</p> <p>9 A. Too late. That's done. Traditionally -- historically</p> <p>10 I should say the police chief and the fire</p> <p>11 commissioner were always appointees selected by the</p> <p>12 Mayor. With the kind of problems that we've had from</p> <p>13 a public safety standpoint and with the turnover of</p> <p>14 police chiefs since I've been in office, they made a</p> <p>15 change so that the Mayor no longer selected the police</p> <p>16 chief. The police chief was selected by Lansing going</p> <p>17 back -- actually he started July 1st, but they didn't</p> <p>18 follow the process and we have a police commission</p> <p>19 that purportedly has the responsibility of selecting</p> <p>20 and interviewing and they have a process of</p> <p>21 identifying police chiefs. It didn't happen that way</p> <p>22 with them. And I had no input into it at all and when</p> <p>23 I found out that they were ready to name a police</p> <p>24 chief and they showed me a couple names, they had no</p> <p>25 internal candidates at all and I went to Kevyn and</p>
<p style="text-align: right;">Page 94</p> <p>1 Q. -- compared so you could then compare with what the</p> <p>2 internal --</p> <p>3 A. What the internal cost was, correct.</p> <p>4 Q. Okay. And at that time were the internal costs -- had</p> <p>5 they been tabulated, calculated?</p> <p>6 A. I don't know the answer to that.</p> <p>7 Q. Number 2 on this last list of Mr. Andrews is moving</p> <p>8 PDD to DEGC.</p> <p>9 Can you tell me what that refers to?</p> <p>10 A. You got to learn the acronyms here. Planning and</p> <p>11 development and DEGC is Detroit Economic Growth</p> <p>12 Corporation, and you know you got two functions that</p> <p>13 do planning for the City of Detroit. DEGC is a little</p> <p>14 different. They're basically about new business</p> <p>15 coming into town and they're more growth oriented than</p> <p>16 anything else. They don't get into the nitty-gritty</p> <p>17 of managing what happens in city departments on a</p> <p>18 day-to-day basis. We don't think, meaning my</p> <p>19 administration, don't think that that's a good use of</p> <p>20 the skill sets that we have in the two departments.</p> <p>21 There may be some things and we've even heard from</p> <p>22 HUD, which is a big supporter of our Planning</p> <p>23 Department, there are things that we can't transfer to</p> <p>24 DEGC. And so when people just with blinders on</p> <p>25 saying, you know, take all the responsibilities from</p>	<p style="text-align: right;">Page 96</p> <p>1 said, you know, you got to -- we've got almost 3,000</p> <p>2 police officers in the City of Detroit, you can't make</p> <p>3 me believe that we don't have somebody internally who</p> <p>4 has the capability and capacity to be considered and</p> <p>5 at the 11th hour they did interview two internal</p> <p>6 candidates but the reality is that the die was cast.</p> <p>7 The guy who they selected is the guy that's here now</p> <p>8 from Cincinnati.</p> <p>9 Q. And then lastly, if you look at the second to the last</p> <p>10 paragraph in this email, Mr. Andrews makes reference</p> <p>11 to a gag order or gag orders from Kevyn, which he says</p> <p>12 only support the very poor reporting.</p> <p>13 Do you have an understanding as to what</p> <p>14 he's referring to when he uses the phrase gag orders</p> <p>15 from Kevyn?</p> <p>16 A. I think anytime -- we got a different kind of press</p> <p>17 here. I don't know. Are you from here?</p> <p>18 Q. I'm from New York.</p> <p>19 A. Okay, our press may be worse than New York press.</p> <p>20 Q. That's a matter of opinion.</p> <p>21 A. Having said that, having said that, the negative</p> <p>22 stories about Detroit is pretty rampant and you know,</p> <p>23 I guess things happen internally that you would hope</p> <p>24 would maybe stay inside, but our press does a pretty</p> <p>25 good job of digging and so when something happens</p>


<p style="text-align: right;">Page 97</p> <p>1 internally and the press gets ahold of it, I think 2 what Kevyn is saying, you know, there must be a leak 3 somewhere so, you know, we don't -- we want to make 4 sure that that stops, we don't need to read about some 5 of the things that are being discussed internally, 6 etc., etc., so I'm putting a gag order out and 7 anybody -- if I find out that you are the leak, then 8 I'm going to have to deal with you appropriately. 9 Q. Okay. And then actually as I see in the email above 10 this Mr. Andrews says, we need to talk, we need to 11 plan this communication well, how do we get out a 12 message that helps matters. 13 Do you know what he was referring to by 14 planning this communication well? 15 A. I'm not 100 percent sure on that, but it's one of the 16 things that we talk about internally a lot. You know, 17 I have an administration that have accomplished a lot 18 of things and because the focus is always on the 19 negative things that are happening, we're trying to 20 figure out -- there are some good stories. I mean, 21 even yesterday with 60 Minutes, I guess, it was all 22 pretty negative about the City. It's the same thing 23 over and over and over. Nobody talks about some of 24 the positive things that are going on and I think in 25 deference to staff, I want people to understand that</p>	<p style="text-align: right;">Page 99</p> <p>1 Q. And earlier you had mentioned Treasurer Andy Dillon. 2 Did you have any discussions with him about the 3 Emergency Manager? 4 A. Not as much. Rich seemed to have taken the lead on 5 that. I think the Treasurer was more involved in what 6 was happening in Detroit in 2012 as opposed to 2013. 7 I've not seen a lot of him in 2013. 8 Q. But did you have any discussion about -- 9 A. No, no with Andy, no. 10 Q. Did you have any discussions with him about Detroit's 11 pension issues? 12 A. With Andy, no. 13 Q. Okay. And how about Governor Snyder? Have you had 14 any discussions with him about the Emergency Manager? 15 A. Just once. 16 Q. And when was that? 17 A. That was before I went to DC to meet Kevyn. 18 Q. And what was the substance of that conversation, if 19 you remember? 20 A. That they think that they found the right guy. 21 Q. How long was the conversation? 22 A. Short conversation. 23 Q. Did you say anything back or was it him simply 24 informing you that -- 25 A. Just informing me.</p>
<p style="text-align: right;">Page 98</p> <p>1 they've accomplished a lot and so we wanted -- I think 2 Kriss and Bob wanted to make sure that our press 3 understood that there were good things, that we had 4 accomplished things, etc., etc. It's not all about 5 the Emergency Manager coming in and now things start 6 to happen. It's about things were already happening. 7 MR. ULLMAN: Okay, I have no further 8 questions at this time. I will pass the witness. 9 THE VIDEOGRAPHER: We'll go off the record 10 at 12:49. 11 (A brief recess was taken.) 12 THE VIDEOGRAPHER: Back on the record, 13 12:52. Go ahead. 14 EXAMINATION 15 BY MR. ELLISON: 16 Q. Good afternoon, Mr. Mayor. I just have a few 17 questions so I'll be very brief. 18 How many discussions did you have with 19 Mr. Baird about the Emergency Manager; do you recall? 20 A. No more than two. 21 Q. And when was the last one? 22 A. I think after -- after I met with Kevyn. 23 Q. So that would have been in the February or March time 24 frame? 25 A. In late February, yeah.</p>	<p style="text-align: right;">Page 100</p> <p>1 Q. Did you have any discussions with the Governor about 2 the possibility of filing for bankruptcy? 3 A. No. 4 Q. And did you have any discussions with him about the 5 City's pension issues? 6 A. No. 7 MR. ELLISON: That's all I have for the 8 witness. 9 EXAMINATION 10 BY MS. LEVINE: 11 Q. Good afternoon, Mr. Mayor. 12 A. Good afternoon. 13 Q. Sharon Levine, Lowenstein Sandler, for AFSCME. 14 A. Okay. 15 Q. Just a couple more questions. 16 Prior to -- going back 18 months before the 17 bankruptcy filing, are you aware that there were 18 negotiations with the City and a coalition of unions 19 with regard to certain tentative agreements? 20 A. Yes. 21 Q. Were you involved in those negotiations? 22 A. Yes. 23 Q. Is it your understanding that those negotiations with 24 your unions actually did result in tentative 25 agreements?</p>

<p style="text-align: right;">Page 101</p> <p>1 A. Yes.</p> <p>2 Q. And is it your understanding that those tentative</p> <p>3 agreements were ratified by the unions?</p> <p>4 A. Yes.</p> <p>5 Q. Were those -- and was it your understanding that those</p> <p>6 tentative agreements would have resulted in savings</p> <p>7 for the City?</p> <p>8 A. Yes.</p> <p>9 Q. Were the tentative agreements -- were the tentative</p> <p>10 agreements ever implemented by the City?</p> <p>11 A. No.</p> <p>12 Q. Do you know why?</p> <p>13 A. They were rejected by the Treasurer, Andy Dillon.</p> <p>14 Q. After the rejection of the tentative agreements did</p> <p>15 there come a point in time where you were involved in</p> <p>16 further negotiations with your unions with regard to</p> <p>17 concessions, specifically including meetings with</p> <p>18 Ernst & Young?</p> <p>19 A. I wasn't actually involved in any of that so I'm not</p> <p>20 100 percent sure what other meetings occurred after we</p> <p>21 didn't get the tentative agreements implemented.</p> <p>22 Q. Were there meetings -- were you aware of meetings</p> <p>23 between various union representatives and E&Y or</p> <p>24 Ernst & Young?</p> <p>25 A. Yes.</p>	<p style="text-align: right;">Page 103</p> <p>1 finish?</p> <p>2 A. Kriss and Jack Martin would have been the two guys,</p> <p>3 the CFO and the COO would have been the guys that were</p> <p>4 heading that up, and I would think HR guy had to be</p> <p>5 involved in that who's no longer here, Patrick Aquart,</p> <p>6 and then our labor person would have been involved in</p> <p>7 that, and they reported to either Jack or Kriss.</p> <p>8 Q. To your knowledge did those meetings result in</p> <p>9 tentative agreements or any agreements with the</p> <p>10 unions?</p> <p>11 A. Not to my knowledge.</p> <p>12 Q. Why did those -- did those discussions come to a halt?</p> <p>13 A. I believe they did, once the determination was made</p> <p>14 that an Emergency Manager was imminent.</p> <p>15 Q. Following the appointment of the Emergency Manager,</p> <p>16 were you -- are you aware of any further discussions</p> <p>17 with your unions or coalition of unions before the</p> <p>18 filing of the Chapter 9 case?</p> <p>19 A. I'm sure there were ongoing meetings, but I've not</p> <p>20 been involved in any of them because that was under</p> <p>21 the purview of the Emergency Manager.</p> <p>22 Q. How are you sure that there were ongoing meetings if</p> <p>23 you weren't involved?</p> <p>24 A. Just conversations, you hear conversation, people let</p> <p>25 you know what's going on.</p>
<p style="text-align: right;">Page 102</p> <p>1 Q. When did those occur?</p> <p>2 A. Those would have been late 2012 and maybe the first</p> <p>3 quarter of '13.</p> <p>4 Q. And who was present at those meetings on behalf of the</p> <p>5 City?</p> <p>6 MR. CULLEN: Objection, foundation.</p> <p>7 Q. Are you aware who was in attendance at those meetings</p> <p>8 on behalf of the City?</p> <p>9 A. That would have been our top labor guy, I don't know</p> <p>10 if he was by himself. I don't know if Kriss was still</p> <p>11 involved in it, Andrews. I'm not sure from the City's</p> <p>12 perspective who all may have been there.</p> <p>13 Q. But these took place before the Emergency Manager was</p> <p>14 appointed in March of 2013; correct?</p> <p>15 A. Correct.</p> <p>16 Q. And these were done under -- although you weren't</p> <p>17 physically there, they were done under your</p> <p>18 supervision and control and the people who were</p> <p>19 involved in those conversations reported to you; is</p> <p>20 that correct?</p> <p>21 A. No, they reported to Kriss.</p> <p>22 Q. To Kriss Andrews and Kriss Andrews reported to you?</p> <p>23 A. Yes, Kriss --</p> <p>24 Q. In other words, they weren't done --</p> <p>25 MR. CULLEN: Could you let the witness</p>	<p style="text-align: right;">Page 104</p> <p>1 Q. So what -- with whom did you have a conversation that</p> <p>2 indicated to you that there were ongoing meetings with</p> <p>3 the coalition of unions after the appointment of the</p> <p>4 Emergency Manager?</p> <p>5 A. Jack or Kriss.</p> <p>6 Q. And when did those meetings take place?</p> <p>7 A. Once again, it was sometime in the first quarter of</p> <p>8 '13. I don't know that there were ongoing meetings.</p> <p>9 Once Kevyn got here I do think there were still</p> <p>10 meetings, but like I said, I'm not involved in that at</p> <p>11 all anymore.</p> <p>12 Q. So while you were in control, there were negotiations</p> <p>13 with the coalition of unions that resulted in a TA</p> <p>14 where the unions ratified those TAs and those were not</p> <p>15 implemented because Mr. Baird declined to implement</p> <p>16 them; is that your understanding?</p> <p>17 A. Not --</p> <p>18 MR. CULLEN: Objection, foundation, form.</p> <p>19 A. Not Mr. Baird. That was the Treasurer, Andy Dillon.</p> <p>20 Q. Andy Dillon, okay.</p> <p>21 After the appointment of Emergency Manager</p> <p>22 you're not sure what meetings took place, although you</p> <p>23 did hear around the halls that some meetings were</p> <p>24 ongoing?</p> <p>25 A. Yes.</p>

<p style="text-align: right;">Page 105</p> <p>1 Q. Before the Emergency Manager was appointed were you 2 involved in budgeting for the City? 3 A. At a very high level. Not so much in budgeting. I 4 mean, the budget director -- 5 Q. Who was responsible -- and did the budget director 6 report to you? 7 A. No, he reported to the CFO. 8 Q. And did the CFO report to you? 9 A. Correct. 10 Q. Okay, since the appointment of the Emergency Manager 11 do you know who's involved in budgeting for the City? 12 A. Brent Hartzell. Brent Hartzell. H-A-R-T-Z-E-L-L. 13 He's the budgeting director. 14 Q. And to whom does he report? 15 A. He reported directly to the new CFO, the guy that I 16 don't think's going to be here after this week, 17 Jim Bonsall. 18 Q. And does he report to you? 19 A. I've never seen an org chart. I've asked for it on 20 several occasions and I've never seen one. 21 Q. So you're not sure what the reporting org chart would 22 be after the appointment of the Emergency Manager? 23 A. That is correct. 24 Q. Do you know whether or not any of the consultants 25 retained by the financial manager are involved in the</p>	<p style="text-align: right;">Page 107</p> <p>1 restructuring standpoint. Maybe Ernst & Young from a 2 financial standpoint. 3 Q. But that's not the -- that's not the -- the line of 4 folks we just discussed with regard to budgeting? 5 MR. CULLEN: Objection, foundation, form. 6 A. I'm not sure your question. 7 Q. Before the Emergency Manager was appointed when you 8 did budgeting, did you look at things in your budget 9 like what, for example, you would spend on solid 10 waste? 11 A. Yes. 12 Q. And did you consider in the budget whether or not 13 there were ways to save costs with things such as 14 solid waste? 15 A. Yes. 16 Q. Okay, and one of the things that you talked about 17 earlier was whether or not you could save money if you 18 outsourced? Without the City would save money by 19 outsourcing various function such as solid waste; 20 correct? 21 A. Correct. 22 Q. And one of the concerns you had was it appeared people 23 were reaching conclusions with regards to numbers 24 about those savings without having gone through an RFP 25 process first; is that correct?</p>
<p style="text-align: right;">Page 106</p> <p>1 budgeting functions? 2 A. I'm sure they are. 3 Q. But you're not involved in those meetings? 4 A. No. 5 Q. And you don't get reports from those meetings? 6 A. No. 7 Q. You discussed earlier a conversation that you had with 8 Kriss around outsourcing. I believe that was with 9 regard to solid waste; is that correct? 10 A. Correct. 11 Q. And I believe you testified that one of the concerns 12 you had was that there was an estimated savings from 13 outsourcing that had been announced before RFPs had 14 gone out and the actual numbers had come in; is that 15 correct? 16 MR. CULLEN: Objection, foundation, form. 17 A. Maybe not before the proposals went out, but before 18 they came back in I think that number of 15 million 19 was out there. 20 Q. Since the appointment of the Emergency Manager, is 21 there somebody who's specifically looking at whether 22 or not outsourcing specific City functions would save 23 money for the City? 24 MR. CULLEN: Objection, foundation, form. 25 A. I think that would be Conway MacKenzie from a</p>	<p style="text-align: right;">Page 108</p> <p>1 A. That would be correct. 2 Q. Okay. My question to you is who's the point person 3 now under the Emergency Manager who was looking at 4 these outsourcing issues? 5 A. I would assume it's somebody from Ernst & Young and 6 somebody from Conway MacKenzie. 7 Q. Do you have any -- have you had any conversations with 8 that person? 9 A. Neither, neither organization. 10 Q. From the period from November 2012 through March of 11 2013 did you have any discussions with anybody from 12 Lansing with regard to the ability to restructure 13 Detroit without the need to appoint an Emergency 14 Manager or an Emergency Financial Manager? 15 A. I think I made it clear to all of those that we were 16 in contact in Lansing that that was not the direction 17 that I supported. 18 Q. And did you -- did you have an opportunity to discuss 19 with the folks in Lansing your particular ideas with 20 regard to how to restructure or rehabilitate Detroit? 21 A. Yes, they had -- they had what we would call a -- we 22 gave them a lot of information in terms of department 23 by department what we thought we needed to do to 24 either create savings or generate some revenue from a 25 reorganization standpoint.</p>

<p style="text-align: right;">Page 109</p> <p>1 Q. During the course of those discussions did you ever</p> <p>2 have conversations with anybody in Lansing about the</p> <p>3 prospect of filing a Chapter 9 without appointing an</p> <p>4 Emergency Manager?</p> <p>5 A. No.</p> <p>6 Q. Did your plan or plans or any of the issues you</p> <p>7 discussed include modifying vested pension benefits?</p> <p>8 A. Yes.</p> <p>9 Q. With whom did you have discussions with regard to</p> <p>10 modifying vested pensions?</p> <p>11 A. I had personally no discussion. I think the COO and</p> <p>12 the CFO had those discussions, I believe probably with</p> <p>13 Andy.</p> <p>14 Q. Was there any discussion to your knowledge of how to</p> <p>15 implement a change to vested pension benefits given</p> <p>16 the Michigan State Constitution?</p> <p>17 A. No.</p> <p>18 Q. Did your plan or the plans that were adopted by you</p> <p>19 include privatization?</p> <p>20 A. Of?</p> <p>21 Q. Anything.</p> <p>22 A. I think we looked at privatization, yes. I mean, we</p> <p>23 just talked about the DDOT, we just talked about PLD,</p> <p>24 as two.</p> <p>25 Q. So in connection with outsourcing or privatization did</p>	<p style="text-align: right;">Page 111</p> <p>1 insurance to cover certain otherwise provided pension</p> <p>2 benefits that are now lost?</p> <p>3 MR. CULLEN: Objection, foundation, form,</p> <p>4 asks for a legal conclusion.</p> <p>5 A. I wouldn't know the answer to that.</p> <p>6 Q. I'm asking your understanding. I'm going to try</p> <p>7 again.</p> <p>8 Do you understand that in a Chapter 11</p> <p>9 corporate case if there's a defined pension benefit</p> <p>10 plan that's terminated, the PBGC provides federal</p> <p>11 insurance protection for the pension beneficiaries?</p> <p>12 MR. CULLEN: Why don't you just ask him the</p> <p>13 foundation question whether he has any understanding</p> <p>14 about that whatsoever?</p> <p>15 MS. LEVINE: I did. That's the start of</p> <p>16 the question is -- is it his understanding.</p> <p>17 MR. CULLEN: Well, that's not the rest of</p> <p>18 the question, but I'll object to the form and the</p> <p>19 foundation and you can address the question.</p> <p>20 A. You have to ask me the question again I think.</p> <p>21 Q. If the pension is terminated -- if Detroit's pension</p> <p>22 is terminated, is there any federal program that</p> <p>23 provides pension benefits for the retirees who have</p> <p>24 now lost their benefits?</p> <p>25 A. Not to my knowledge.</p>
<p style="text-align: right;">Page 110</p> <p>1 your plan include a process for evaluating or valuing</p> <p>2 whether or not there really truly would be savings to</p> <p>3 the City as a result of that job loss?</p> <p>4 A. Yes, that was done through the purchasing department.</p> <p>5 Q. And what was your process for evaluating outsourcing?</p> <p>6 A. I can't tell you the process.</p> <p>7 Q. But did it include getting RFPs before you announced</p> <p>8 what the purported savings would be?</p> <p>9 A. Yes, yes.</p> <p>10 Q. Did your plan include the sale of assets?</p> <p>11 A. Some.</p> <p>12 Q. And you discussed them previously with counsel?</p> <p>13 A. Correct.</p> <p>14 Q. So I won't do that again.</p> <p>15 A. Correct.</p> <p>16 Q. Did your plan include a loss of City jobs?</p> <p>17 A. Yes.</p> <p>18 Q. Do you recall how many?</p> <p>19 A. I don't -- we -- I think it was a number of 1,500 jobs</p> <p>20 in total.</p> <p>21 Q. How many of those were nonuniform employees?</p> <p>22 A. I don't know the answer to that.</p> <p>23 Q. Do you understand that in a Chapter 11 corporate case</p> <p>24 if a pension is terminated, the PBGC or the Pension</p> <p>25 Benefit Guaranty Corp, provides federally provided</p>	<p style="text-align: right;">Page 112</p> <p>1 Q. In a Chapter 11 case or in a bankruptcy case that</p> <p>2 doesn't involve a municipality, is there a federal</p> <p>3 program that provides benefits to pension</p> <p>4 beneficiaries who've lost their benefit from a private</p> <p>5 pension?</p> <p>6 MR. CULLEN: Objection, foundation, form.</p> <p>7 A. I wouldn't know the answer to that.</p> <p>8 Q. In the plans that you discussed with Lansing what was</p> <p>9 your understanding of how retirees were going to live</p> <p>10 post restructuring if pension benefits were going to</p> <p>11 be cut?</p> <p>12 A. Never had that conversation.</p> <p>13 Q. Did you have any input into the retention of</p> <p>14 restructuring counsel for the City?</p> <p>15 A. No.</p> <p>16 Q. How did you learn that Jones Day was retained as the</p> <p>17 City's restructuring counsel?</p> <p>18 A. There was a meeting in the airport in the December</p> <p>19 time frame of 2012. Representing the City was</p> <p>20 Kriss Andrews and Jack Martin and they're the ones</p> <p>21 that made me aware.</p> <p>22 Q. Since November of 2012 have you had any conversations</p> <p>23 with House Speaker Bolger with regard to Detroit's</p> <p>24 financial issues?</p> <p>25 A. No.</p>

<p style="text-align: right;">Page 113</p> <p>1 Q. Any conversations with Randy Richardville?</p> <p>2 A. I think I was up in Lansing and at that time it was</p> <p>3 really trying to get the legislature to vote and pass</p> <p>4 some legislation for the Lighting Authority and the</p> <p>5 Regional Transportation Authority.</p> <p>6 Q. And what were those conversations that you had with --</p> <p>7 A. We needed them to support it, because we were in dire</p> <p>8 need of both.</p> <p>9 Q. Did they agree to support it?</p> <p>10 A. They did. The legislation was passed in December.</p> <p>11 Q. Did that provide State assistance?</p> <p>12 A. It's supposed to. That hasn't happened yet.</p> <p>13 Q. What's your understanding why that hasn't happened</p> <p>14 yet?</p> <p>15 A. They had to get the Authorities' board together and</p> <p>16 they've been working on that for a long time for both</p> <p>17 authorities, but I think they're both in play right</p> <p>18 now and they have both chosen the leadership for the</p> <p>19 Regional Authority for Transportation as well as for</p> <p>20 the Lighting Authority.</p> <p>21 Q. Prior to the appointment of the Emergency Manager did</p> <p>22 you have any involvement to trying to get access to</p> <p>23 federal assistance for Detroit?</p> <p>24 A. Absolutely.</p> <p>25 Q. Since the appointment of the Emergency Manager do you</p>	<p style="text-align: right;">Page 115</p> <p>1 A. Yes, I've met with our business community leadership,</p> <p>2 I've met with most of our foundations and I think</p> <p>3 because of that we've gotten the kind of support we've</p> <p>4 gotten.</p> <p>5 Q. Have you continued to have those discussions since the</p> <p>6 appointment of the Emergency Manager?</p> <p>7 A. Yes. For the record let me be specific about that.</p> <p>8 MR. CULLEN: Always a bad idea, but go</p> <p>9 ahead.</p> <p>10 A. You know, I've been able to raise -- I raised</p> <p>11 \$8 million from our corporate community to assist us</p> <p>12 with 100 police vehicles, with 23 brand-new fleet of</p> <p>13 EMS vehicles. From the corporate and foundation</p> <p>14 community, I've been able to generate \$14 million to</p> <p>15 keep our recreation and parks open. So -- and that's</p> <p>16 been ongoing. So all of this was before the Emergency</p> <p>17 Manager and since the Emergency Manager I've continued</p> <p>18 to do that and will continue.</p> <p>19 MS. LEVINE: If I can confer for a second.</p> <p>20 THE VIDEOGRAPHER: We're off the record,</p> <p>21 1:14.</p> <p>22 (A brief recess was taken.)</p> <p>23 THE VIDEOGRAPHER: Back on the record,</p> <p>24 1:17. Go ahead.</p> <p>25 MS. LEVINE: Thank you. Just a couple more</p>
<p style="text-align: right;">Page 114</p> <p>1 continue to have involvement in trying to get federal</p> <p>2 assistance for Detroit?</p> <p>3 A. Absolutely.</p> <p>4 Q. Who were you talking to before the appointment of the</p> <p>5 Emergency Manager?</p> <p>6 A. Three to four of the different secretaries under the</p> <p>7 Obama administration.</p> <p>8 Q. And who have you been talking to since the appointment</p> <p>9 of the Emergency Manager?</p> <p>10 A. The same ones, except now there's a new department,</p> <p>11 there's a new Secretary of Transportation.</p> <p>12 Q. Prior to the appointment of the Emergency Manager did</p> <p>13 you have any discussions other than what we've just</p> <p>14 been talking about with anybody in Lansing with regard</p> <p>15 to assistance for Detroit?</p> <p>16 A. Yes. We have talked -- I mean, I've had ongoing</p> <p>17 conversations with the Treasurer as well as the</p> <p>18 Governor.</p> <p>19 Q. Have you continued those discussions post the</p> <p>20 appointment of the Emergency Manager?</p> <p>21 A. No.</p> <p>22 Q. Prior to the appointment of the Emergency Manager did</p> <p>23 you have any discussions with anybody about accessing</p> <p>24 private or not-for-profit assistance to help with the</p> <p>25 financial issues in Detroit?</p>	<p style="text-align: right;">Page 116</p> <p>1 questions.</p> <p>2 BY MS. LEVINE:</p> <p>3 Q. We've had some discussion with regard to quoting</p> <p>4 potential savings from outsourcing without RFPs having</p> <p>5 gone out. To your knowledge as we sit here today have</p> <p>6 RFPs -- have any RFPs gone out and come back?</p> <p>7 A. Not to -- not to my knowledge. I'm not involved in it</p> <p>8 anymore and I know there's a concern from our</p> <p>9 purchasing department that the process isn't being --</p> <p>10 they got a process that's not being followed.</p> <p>11 Q. And as we sit here today, is it your understanding</p> <p>12 that that concern persists?</p> <p>13 A. Yes.</p> <p>14 Q. And that's part of the discussion we had earlier where</p> <p>15 you just hear things in the hall?</p> <p>16 A. Yes.</p> <p>17 Q. Is it your understanding that Miller Buckfire has been</p> <p>18 retained by the City?</p> <p>19 A. Yes.</p> <p>20 Q. When were they retained?</p> <p>21 A. I think they may have been retained back in the</p> <p>22 December/January time frame.</p> <p>23 Q. Were they retained as a restructuring professional?</p> <p>24 A. I think they were as the bank -- the corporate bank</p> <p>25 representing the City.</p>

<p style="text-align: right;">Page 117</p> <p>1 Q. Did you hire them?</p> <p>2 A. No.</p> <p>3 Q. Who retained them?</p> <p>4 A. I think -- once again, most of these companies were</p> <p>5 being -- they were being pressed by the -- we were</p> <p>6 pressed by the State to my understanding, the State</p> <p>7 had a lot of input into the selection process and in</p> <p>8 some cases where the City has a responsibility for</p> <p>9 paying part of the fees, you know, I've always had a</p> <p>10 problem that I was not at the table to participate in</p> <p>11 the selection process.</p> <p>12 Q. Do you pay part of the fees for Miller Buckfire?</p> <p>13 A. Yes.</p> <p>14 Q. Does the State pay part of the fees for Miller</p> <p>15 Buckfire?</p> <p>16 A. Yes.</p> <p>17 Q. Does the NERD Fund pay part of the fees for Miller</p> <p>18 Buckfire?</p> <p>19 A. I wouldn't know that.</p> <p>20 Q. Do you have a copy of Miller Buckfire's retention or</p> <p>21 engagement letter?</p> <p>22 A. I would think we have that. I don't -- I don't have</p> <p>23 it personally, but I would think we do in the purchase</p> <p>24 department and maybe in the law department.</p> <p>25 MS. LEVINE: We would request a copy of</p>	<p style="text-align: right;">Page 119</p> <p>1 administrations in my -- in my perspective a lot of</p> <p>2 that should have been written off a long time ago but</p> <p>3 they've been carrying it on books and I just think</p> <p>4 that's the wrong approach.</p> <p>5 Q. Under your administration were -- how many -- how much</p> <p>6 did you write-off in what you believe to be</p> <p>7 uncollected taxes?</p> <p>8 A. I'm not sure of that. I would have to get with the</p> <p>9 CFO.</p> <p>10 Q. Do you have an approximate number?</p> <p>11 A. No, I don't.</p> <p>12 MS. LEVINE: I don't have anything further.</p> <p>13 Thank you.</p> <p>14 THE WITNESS: Thank you.</p> <p>15 MR. GREEN: No, I don't have any questions.</p> <p>16 MR. CULLEN: We don't need the Pistons</p> <p>17 question on the record?</p> <p>18 MR. ESSAD: No.</p> <p>19 MR. CULLEN: Thank you very much.</p> <p>20 THE VIDEOGRAPHER: This completes the</p> <p>21 deposition. We're off the record, 1:22.</p> <p>22 (Deposition concluded at 1:22 p.m.)</p> <p>23 * * *</p> <p>24</p> <p>25</p>
<p style="text-align: right;">Page 118</p> <p>1 that letter. I know that there's been a lot of</p> <p>2 documents that have been produced but we didn't happen</p> <p>3 to see what in there so we would make that specific</p> <p>4 request.</p> <p>5 MR. GREEN: And if I may add the 2012</p> <p>6 engagement letter from Miller Buckfire as well. I</p> <p>7 understand they were initially engaged the prior year.</p> <p>8 There may be two engagement letters.</p> <p>9 MR. MOSS: Please put that in a letter so</p> <p>10 we make sure we get it part of the record. We'll take</p> <p>11 a look.</p> <p>12 MS. LEVINE: So the request will be for any</p> <p>13 engagement letters or contracts with Miller Buckfire</p> <p>14 and we'll clarify that.</p> <p>15 Q. During the deposition last week with Treasurer Dillon</p> <p>16 he made a reference to a report with regard to certain</p> <p>17 tax write-offs or uncollected taxes. Are you familiar</p> <p>18 with that?</p> <p>19 A. No, I'm not. Not specifically.</p> <p>20 Q. Are you familiar with any issue with regard to</p> <p>21 potential tax write-offs where the taxes could have</p> <p>22 been collected?</p> <p>23 MR. CULLEN: Objection, foundation, form.</p> <p>24 A. No, I'm not. You know, we've got uncollected taxes</p> <p>25 that go back ten, 12 years, and so prior</p>	<p style="text-align: right;">Page 120</p> <p>1 State of Michigan)</p> <p>2 County of Genesee)</p> <p>3 Certificate of Notary Public</p> <p>4 I certify that this transcript is a complete, true and</p> <p>5 correct record of the testimony of the witness held in this</p> <p>6 case.</p> <p>7 I also certify that prior to taking this deposition,</p> <p>8 the witness was duly sworn or affirmed to tell the truth.</p> <p>9 I further certify that I am not a relative or an</p> <p>10 employee of or an attorney for a party; and that I am not</p> <p>11 financially interested, directly or indirectly, in the</p> <p>12 matter.</p> <p>13 WITNESS my hand this 16th day of October,</p> <p>14 2013.</p> <p>15</p> <p>16 </p> <p>17</p> <p>18 Jeanette M. Fallon, CRR/RMR/CLR/CSR-3267</p> <p>19 Certified Realtime Reporter</p> <p>20 Registered Merit Reporter</p> <p>21 Certified LiveNote Reporter</p> <p>22 Certified Shorthand Reporter</p> <p>23 Notary Public, Genesee, Michigan</p> <p>24 Acting in Oakland County, Michigan</p> <p>25 My Commission Expires: 9-19-18</p>

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<p>1 DEPOSITION ERRATA SHEET</p> <p>2</p> <p>3 Our Assignment No. 19355</p> <p>4 Case Caption: In re City of Detroit, Michigan</p> <p>5</p> <p>6 DECLARATION UNDER PENALTY OF PERJURY</p> <p>7</p> <p>8 I declare under penalty of perjury that I have read</p> <p>9 the entire transcript of my Deposition taken in the</p> <p>10 captioned matter or the same has been read to me, and the</p> <p>11 same is true and accurate, save and except for changes</p> <p>12 and/or corrections, if any, as indicated by me on the</p> <p>13 DEPOSITION ERRATA SHEET hereof, with the understanding that</p> <p>14 I offer these changes as if still under oath.</p> <p>15 Signed on the ____ day of _____, 20__.</p> <p>16 _____</p> <p>17 MAYOR DAVE BING</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 DEPOSITION ERRATA SHEET</p> <p>2</p> <p>3 Page No. ____ Line No. ____ Change to: _____</p> <p>4 _____</p> <p>5 Reason for change: _____</p> <p>6 Page No. ____ Line No. ____ Change to: _____</p> <p>7 _____</p> <p>8 Reason for change: _____</p> <p>9 Page No. ____ Line No. ____ Change to: _____</p> <p>10 _____</p> <p>11 Reason for change: _____</p> <p>12 Page No. ____ Line No. ____ Change to: _____</p> <p>13 _____</p> <p>14 Reason for change: _____</p> <p>15 Page No. ____ Line No. ____ Change to: _____</p> <p>16 _____</p> <p>17 Reason for change: _____</p> <p>18 Page No. ____ Line No. ____ Change to: _____</p> <p>19 _____</p> <p>20 Reason for change: _____</p> <p>21 Page No. ____ Line No. ____ Change to: _____</p> <p>22 _____</p> <p>23 Reason for change: _____</p> <p>24 SIGNATURE: _____ DATE: _____</p> <p>25 MAYOR DAVE BING</p>
<p>1 DEPOSITION ERRATA SHEET</p> <p>2</p> <p>3 Page No. ____ Line No. ____ Change to: _____</p> <p>4 _____</p> <p>5 Reason for change: _____</p> <p>6 Page No. ____ Line No. ____ Change to: _____</p> <p>7 _____</p> <p>8 Reason for change: _____</p> <p>9 Page No. ____ Line No. ____ Change to: _____</p> <p>10 _____</p> <p>11 Reason for change: _____</p> <p>12 Page No. ____ Line No. ____ Change to: _____</p> <p>13 _____</p> <p>14 Reason for change: _____</p> <p>15 Page No. ____ Line No. ____ Change to: _____</p> <p>16 _____</p> <p>17 Reason for change: _____</p> <p>18 Page No. ____ Line No. ____ Change to: _____</p> <p>19 _____</p> <p>20 Reason for change: _____</p> <p>21 Page No. ____ Line No. ____ Change to: _____</p> <p>22 _____</p> <p>23 Reason for change: _____</p> <p>24 SIGNATURE: _____ DATE: _____</p> <p>25 MAYOR DAVE BING</p>	

